

HOUSE BILL No. 1616

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3.5; IC 6-8.1-1-1; IC 20-1-1.3-8; IC 20-2; IC 20-3-11; IC 20-3.1-15-1; IC 20-4; IC 20-5; IC 20-5.5-7-3.5; IC 20-8.1; IC 20-9.1-6; IC 21-1-11-3; IC 21-2; IC 21-4; IC 21-10.

Synopsis: Local school funding. Eliminates the authority of a school corporation to impose a property tax for the school corporation's general fund that is due and payable after December 31, 2006. Imposes an income tax for schools. Requires taxes collected in a school corporation to be distributed to the school corporation. Establishes an expenditure limit for school corporations. Provides that a school corporation's income tax distributions may not exceed its expenditure limit. Provides for distributions to school corporations that are unable to raise the revenue permitted by their expenditure limits. Establishes a fiscal year budget cycle for school corporations. Requires the state board of accounts to establish a standardized accounting system for schools.

Effective: July 1, 2005; January 1, 2007.

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January 19, 2005, read first time and referred to Committee on Ways and Means.

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First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE BILL No. 1616

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-17-0.1 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE JULY 1, 2005]: **Sec. 0.1. Beginning January 1, 2007,**
4 **this chapter does not apply to a school corporation.**

5 SECTION 2. IC 6-1.1-17-5 IS AMENDED TO READ AS
6 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 5. (a) The officers of
7 political subdivisions shall meet each year to fix the budget, tax rate,
8 and tax levy of their respective subdivisions for the ensuing budget
9 year as follows:

10 (1) The fiscal body of a consolidated city and county, not later
11 than the last meeting of the fiscal body in September.

12 (2) The fiscal body of a second class city, not later than
13 September 30.

14 (3) ~~The board of school trustees of a school corporation that is~~
15 ~~located in a city having a population of more than one hundred~~
16 ~~five thousand (+05,000) but less than one hundred twenty~~
17 ~~thousand (+20,000), not later than:~~



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(A) the time required in section 5-6(b) of this chapter; or
 (B) September 20 if a resolution adopted under section 5-6(d)
 of this chapter is in effect.

(4) (3) The proper officers of all other political subdivisions, not
 later than September 20.

Except in a consolidated city and county and in a second class city, the
 public hearing required by section 3 of this chapter must be completed
 at least ten (10) days before the proper officers of the political
 subdivision meet to fix the budget, tax rate, and tax levy. In a
 consolidated city and county and in a second class city, that public
 hearing, by any committee or by the entire fiscal body, may be held at
 any time after introduction of the budget.

(b) Ten (10) or more taxpayers may object to a budget, tax rate, or
 tax levy of a political subdivision fixed under subsection (a) by filing
 an objection petition with the proper officers of the political
 subdivision not more than seven (7) days after the hearing. The
 objection petition must specifically identify the provisions of the
 budget, tax rate, and tax levy to which the taxpayers object.

(c) If a petition is filed under subsection (b), the fiscal body of the
 political subdivision shall adopt with its budget a finding concerning
 the objections in the petition and any testimony presented at the
 adoption hearing.

(d) This subsection does not apply to a school corporation. Each
 year at least two (2) days before the first meeting of the county board
 of tax adjustment held under IC 6-1.1-29-4, a political subdivision shall
 file with the county auditor:

- (1) a statement of the tax rate and levy fixed by the political
 subdivision for the ensuing budget year;
- (2) two (2) copies of the budget adopted by the political
 subdivision for the ensuing budget year; and
- (3) two (2) copies of any findings adopted under subsection (c).

Each year the county auditor shall present these items to the county
 board of tax adjustment at the board's first meeting.

(e) In a consolidated city and county and in a second class city, the
 clerk of the fiscal body shall, notwithstanding subsection (d), file the
 adopted budget and tax ordinances with the county board of tax
 adjustment within two (2) days after the ordinances are signed by the
 executive, or within two (2) days after action is taken by the fiscal body
 to override a veto of the ordinances, whichever is later.

(f) If a fiscal body does not fix the budget, tax rate, and tax levy of
 the political subdivisions for the ensuing budget year as required under
 this section, the most recent annual appropriations and annual tax levy

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are continued for the ensuing budget year.

SECTION 3. IC 6-1.1-17-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 16. (a) Subject to the limitations and requirements prescribed in this section, the department of local government finance may revise, reduce, or increase a political subdivision's budget, tax rate, or tax levy which the department reviews under section 8 or 10 of this chapter.

(b) Subject to the limitations and requirements prescribed in this section, the department of local government finance may review, revise, reduce, or increase the budget, tax rate, or tax levy of any of the political subdivisions whose tax rates compose the aggregate tax rate within a political subdivision whose budget, tax rate, or tax levy is the subject of an appeal initiated under this chapter.

(c) ~~Except as provided in subsection (j),~~ Before the department of local government finance reviews, revises, reduces, or increases a political subdivision's budget, tax rate, or tax levy under this section, the department must hold a public hearing on the budget, tax rate, and tax levy. The department of local government finance shall hold the hearing in the county in which the political subdivision is located. The department of local government finance may consider the budgets, tax rates, and tax levies of several political subdivisions at the same public hearing. At least five (5) days before the date fixed for a public hearing, the department of local government finance shall give notice of the time and place of the hearing and of the budgets, levies, and tax rates to be considered at the hearing. The department of local government finance shall publish the notice in two (2) newspapers of general circulation published in the county. However, if only one (1) newspaper of general circulation is published in the county, the department of local government finance shall publish the notice in that newspaper.

(d) Except as provided in subsection (i), IC 6-1.1-19, or IC 6-1.1-18.5, the department of local government finance may not increase a political subdivision's budget, tax rate, or tax levy to an amount which exceeds the amount originally fixed by the political subdivision. The department of local government finance shall give the political subdivision written notification specifying any revision, reduction, or increase the department proposes in a political subdivision's tax levy or tax rate. The political subdivision has one (1) week from the date the political subdivision receives the notice to provide a written response to the department of local government finance's Indianapolis office specifying how to make the required reductions in the amount budgeted for each office or department. The

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department of local government finance shall make reductions as specified in the political subdivision's response if the response is provided as required by this subsection and sufficiently specifies all necessary reductions. The department of local government finance may make a revision, a reduction, or an increase in a political subdivision's budget only in the total amounts budgeted for each office or department within each of the major budget classifications prescribed by the state board of accounts.

(e) The department of local government finance may not approve a levy for lease payments by a city, town, county, ~~or library or school corporation~~ if the lease payments are payable to a building corporation for use by the building corporation for debt service on bonds and if:

- (1) no bonds of the building corporation are outstanding; or
- (2) the building corporation has enough legally available funds on hand to redeem all outstanding bonds payable from the particular lease rental levy requested.

(f) The department of local government finance shall certify its action to:

- (1) the county auditor; and
- (2) the political subdivision if the department acts pursuant to an appeal initiated by the political subdivision.

(g) The following may petition for judicial review of the final determination of the department of local government finance under subsection (f):

- (1) If the department acts under an appeal initiated by a political subdivision, the political subdivision.
- (2) If the department acts under an appeal initiated by taxpayers under section 13 of this chapter, a taxpayer who signed the petition under that section.
- (3) If the department acts under an appeal initiated by the county auditor under section 14 of this chapter, the county auditor.

The petition must be filed in the tax court not more than forty-five (45) days after the department certifies its action under subsection (f).

(h) The department of local government finance is expressly directed to complete the duties assigned to it under this section not later than February 15th of each year for taxes to be collected during that year.

(i) Subject to the provisions of all applicable statutes, the department of local government finance may increase a political subdivision's tax levy to an amount that exceeds the amount originally fixed by the political subdivision if the increase is:

- (1) requested in writing by the officers of the political

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subdivision;

(2) either:

(A) based on information first obtained by the political subdivision after the public hearing under section 3 of this chapter; or

(B) results from an inadvertent mathematical error made in determining the levy; and

(3) published by the political subdivision according to a notice provided by the department.

(j) ~~The department of local government finance shall annually review the budget of each school corporation not later than April 1. The department of local government finance shall give the school corporation written notification specifying any revision, reduction, or increase the department proposes in the school corporation's budget. A public hearing is not required in connection with this review of the budget.~~

SECTION 4. IC 6-1.1-20-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3.1. A political subdivision may not impose property taxes to pay debt service or lease rentals without completing the following procedures:

(1) The proper officers of a political subdivision shall:

(A) publish notice in accordance with IC 5-3-1; and

(B) send notice by first class mail to any organization that delivers to the officers, before January 1 of that year, an annual written request for such notices;

of any meeting to consider adoption of a resolution or an ordinance making a preliminary determination to issue bonds or enter into a lease and shall conduct a public hearing on a preliminary determination before adoption of the resolution or ordinance.

(2) When the proper officers of a political subdivision make a preliminary determination to issue bonds or enter into a lease, the officers shall give notice of the preliminary determination by:

(A) publication in accordance with IC 5-3-1; and

(B) first class mail to the organizations described in subdivision (1)(B).

(3) A notice under subdivision (2) of the preliminary determination of the political subdivision to issue bonds or enter into a lease must include the following information:

(A) The maximum term of the bonds or lease.

(B) The maximum principal amount of the bonds or the maximum lease rental for the lease.

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(C) The estimated interest rates that will be paid and the total interest costs associated with the bonds or lease.

(D) The purpose of the bonds or lease.

(E) A statement that any owners of real property within the political subdivision who want to initiate a petition and remonstrance process against the proposed debt service or lease payments must file a petition that complies with subdivisions (4) and (5) not later than thirty (30) days after publication in accordance with IC 5-3-1.

(F) With respect to bonds issued or a lease entered into to open:

(i) a new school facility; or

(ii) an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space;

the estimated costs the school corporation expects to incur annually to operate the facility.

~~(G) A statement of whether the school corporation expects to appeal as described in IC 6-1.1-19-4.4(a)(4) for an increased adjusted base levy to pay the estimated costs described in clause (F).~~

(4) After notice is given, a petition requesting the application of a petition and remonstrance process may be filed by the lesser of:

(A) one hundred (100) owners of real property within the political subdivision; or

(B) five percent (5%) of the owners of real property within the political subdivision.

(5) The state board of accounts shall design and, upon request by the county auditor, deliver to the county auditor or the county auditor's designated printer the petition forms to be used solely in the petition process described in this section. The county auditor shall issue to an owner or owners of real property within the political subdivision the number of petition forms requested by the owner or owners. Each form must be accompanied by instructions detailing the requirements that:

(A) the carrier and signers must be owners of real property;

(B) the carrier must be a signatory on at least one (1) petition;

(C) after the signatures have been collected, the carrier must swear or affirm before a notary public that the carrier witnessed each signature; and

(D) govern the closing date for the petition period.

Persons requesting forms may not be required to identify

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1 themselves and may be allowed to pick up additional copies to
2 distribute to other property owners.

3 (6) Each petition must be verified under oath by at least one (1)
4 qualified petitioner in a manner prescribed by the state board of
5 accounts before the petition is filed with the county auditor under
6 subdivision (7).

7 (7) Each petition must be filed with the county auditor not more
8 than thirty (30) days after publication under subdivision (2) of the
9 notice of the preliminary determination.

10 (8) The county auditor must file a certificate and each petition
11 with:

12 (A) the township trustee, if the political subdivision is a
13 township, who shall present the petition or petitions to the
14 township board; or

15 (B) the body that has the authority to authorize the issuance of
16 the bonds or the execution of a lease, if the political
17 subdivision is not a township;

18 within fifteen (15) business days of the filing of the petition
19 requesting a petition and remonstrance process. The certificate
20 must state the number of petitioners that are owners of real
21 property within the political subdivision.

22 If a sufficient petition requesting a petition and remonstrance process
23 is not filed by owners of real property as set forth in this section, the
24 political subdivision may issue bonds or enter into a lease by following
25 the provisions of law relating to the bonds to be issued or lease to be
26 entered into.

27 SECTION 5. IC 6-1.1-21-2 IS AMENDED TO READ AS
28 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. As used in this
29 chapter:

30 (a) "Taxpayer" means a person who is liable for taxes on property
31 assessed under this article.

32 (b) "Taxes" means property taxes payable in respect to property
33 assessed under this article. The term does not include special
34 assessments, penalties, or interest, but does include any special charges
35 which a county treasurer combines with all other taxes in the
36 preparation and delivery of the tax statements required under
37 IC 6-1.1-22-8(a).

38 (c) "Department" means the department of state revenue.

39 (d) "Auditor's abstract" means the annual report prepared by each
40 county auditor which under IC 6-1.1-22-5, is to be filed on or before
41 March 1 of each year with the auditor of state.

42 (e) "Mobile home assessments" means the assessments of mobile

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homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that

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succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) **before January 1, 2007**, IC 21-2-11.6 for a referendum tax levy fund; plus

(vii) **before January 1, 2007**, an appeal filed under IC 6-1.1-19-5.1 (**repealed January 1, 2007**) for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible ~~general~~ **school transportation** fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year

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1 1989 that represents increases in that levy that resulted from
 2 an appeal described in IC 6-1.1-18.5-13(4) filed after
 3 December 31, 1982; or

4 (ii) the amount of property taxes imposed in the township for
 5 the stated assessment year under the authority of
 6 IC 36-8-13-4; minus

7 (J) for each participating unit in a fire protection territory
 8 established under ~~IC 36-8-19-1~~, **IC 36-8-19** the amount of
 9 property taxes levied by each participating unit under
 10 IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit
 11 for each of the participating units that would have otherwise
 12 been available for fire protection services under
 13 IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

14 (K) for each county, the sum of:

15 (i) the amount of property taxes imposed in the county for
 16 the repayment of loans under IC 12-19-5-6 (repealed) that is
 17 included in the amount determined under IC 12-19-7-4(a)
 18 STEP SEVEN for property taxes payable in 1995, or for
 19 property taxes payable in each year after 1995, the amount
 20 determined under IC 12-19-7-4(b); and

21 (ii) the amount of property taxes imposed in the county
 22 attributable to appeals granted under IC 6-1.1-18.6-3 that is
 23 included in the amount determined under IC 12-19-7-4(a)
 24 STEP SEVEN for property taxes payable in 1995, or the
 25 amount determined under IC 12-19-7-4(b) for property taxes
 26 payable in each year after 1995; plus

27 (2) all taxes to be paid in the county in respect to mobile home
 28 assessments currently assessed for the year in which the taxes
 29 stated in the abstract are to be paid; plus

30 (3) the amounts, if any, of county adjusted gross income taxes that
 31 were applied by the taxing units in the county as property tax
 32 replacement credits to reduce the individual levies of the taxing
 33 units for the assessment year, as provided in IC 6-3.5-1.1; plus

34 (4) the amounts, if any, by which the maximum permissible ad
 35 valorem property tax levies of the taxing units of the county were
 36 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 37 assessment year; plus

38 (5) the difference between:

39 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 40 minus

41 (B) the amount the civil taxing units' levies were increased
 42 because of the reduction in the civil taxing units' base year

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- 1 certified shares under IC 6-1.1-18.5-3(e).
- 2 (h) "December settlement sheet" means the certificate of settlement
3 filed by the county auditor with the auditor of state, as required under
4 IC 6-1.1-27-3.
- 5 (i) "Tax duplicate" means the roll of property taxes which each
6 county auditor is required to prepare on or before March 1 of each year
7 under IC 6-1.1-22-3.
- 8 (j) "Eligible property tax replacement amount" is equal to the sum
9 of the following:
- 10 ~~(1) Sixty percent (60%) of the total county tax levy imposed by~~
11 ~~each school corporation in a county for its general fund for a~~
12 ~~stated assessment year:~~
- 13 ~~(2) (1) Twenty percent (20%) of the total county tax levy (less~~
14 ~~sixty percent (60%) of the levy for the general fund of a school~~
15 ~~corporation that is part of the total county tax levy) imposed in a~~
16 ~~county on real property for a stated assessment year.~~
- 17 ~~(3) (2) Twenty percent (20%) of the total county tax levy (less~~
18 ~~sixty percent (60%) of the levy for the general fund of a school~~
19 ~~corporation that is part of the total county tax levy) imposed in a~~
20 ~~county on tangible personal property, excluding business personal~~
21 ~~property, for an assessment year.~~
- 22 (k) "Business personal property" means tangible personal property
23 (other than real property) that is being:
- 24 (1) held for sale in the ordinary course of a trade or business; or
25 (2) held, used, or consumed in connection with the production of
26 income.
- 27 (l) "Taxpayer's property tax replacement credit amount" means the
28 sum of the following:
- 29 ~~(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar~~
30 ~~year for taxes imposed by a school corporation for its general fund~~
31 ~~for a stated assessment year:~~
- 32 ~~(2) (1) Twenty percent (20%) of a taxpayer's tax liability for a~~
33 ~~stated assessment year for a total county tax levy (less sixty~~
34 ~~percent (60%) of the levy for the general fund of a school~~
35 ~~corporation that is part of the total county tax levy) on real~~
36 ~~property.~~
- 37 ~~(3) (2) Twenty percent (20%) of a taxpayer's tax liability for a~~
38 ~~stated assessment year for a total county tax levy (less sixty~~
39 ~~percent (60%) of the levy for the general fund of a school~~
40 ~~corporation that is part of the total county tax levy) on tangible~~
41 ~~personal property other than business personal property.~~
- 42 (m) "Tax liability" means tax liability as described in section 5 of

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1 this chapter.

2 (n) "General school operating levy" means the ad valorem property
3 tax levy of a school corporation in a county for the school corporation's
4 general fund.

5 SECTION 6. IC 6-1.1-21-13 IS ADDED TO THE INDIANA CODE
6 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
7 1, 2005]: **Sec. 13. After January 1, 2007, the board shall annually**
8 **transfer from the fund to the supplemental distribution fund**
9 **established by IC 6-3.5-10-7 an amount equal to the amount that**
10 **would have been required to provide property tax replacement**
11 **credits on school general fund levies.**

12 SECTION 7. IC 6-1.1-21.2-11 IS AMENDED TO READ AS
13 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 11. (a) Not later than
14 September 1 of a year in which a general reassessment does not
15 become effective, the governing body shall estimate the tax increment
16 replacement amount for each allocation area under the jurisdiction of
17 the governing body for the next calendar year. In a year in which a
18 general reassessment becomes effective, the department of local
19 government finance may extend the deadline under this subsection by
20 giving written notice to the governing body before the deadline.

21 (b) The tax increment replacement amount is the amount
22 determined in STEP THREE of the following formula:

23 STEP ONE: The governing body shall estimate the amount of tax
24 increment revenues it would receive in the next calendar year if
25 the property tax replacement credits payable with respect to the
26 general fund levies imposed by all school corporations with
27 jurisdiction in the allocation area were determined under
28 IC 6-1.1-21 as in effect on January 1, 2001.

29 STEP TWO: The governing body shall estimate the amount of tax
30 increment revenues it will receive in the next calendar year after
31 implementation of the ~~increase in the property tax credits payable~~
32 ~~under IC 6-1.1-21, as amended by the general assembly in 2002,~~
33 ~~with respect to general fund levies imposed by all~~ **prohibition on**
34 **general fund property tax levies by school corporations with**
35 **jurisdiction in the allocation area enacted by the general**
36 **assembly in 2005.**

37 STEP THREE: Subtract the STEP TWO amount from the STEP
38 ONE amount.

39 SECTION 8. IC 6-3.5-1.1-14 IS AMENDED TO READ AS
40 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 14. (a) In determining
41 the amount of property tax replacement credits civil taxing units and
42 school corporations of a county are entitled to receive during a calendar

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year, the department of local government finance shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(d) **Before January 1, 2007**, a school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its general fund, debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-19 (**repealed January 1, 2007**). **Before January 1, 2007**, a school corporation shall allocate the property tax replacement credits described in this subsection to all five (5) funds in proportion to the levy for each fund.

(e) **After December 31, 2006**, a school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget. **After December 31, 2006**, a school corporation shall allocate the property tax replacement credits described in this subsection to these four (4) funds in proportion to the levy for each fund.

SECTION 9. IC 6-3.5-10 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

Chapter 10. Local Income Tax for Education

Sec. 1. The following definitions apply throughout this chapter:

(1) Except as provided in section 10 of this chapter, "adjusted gross income" has the meaning set forth in IC 6-3-1-3.5.

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(2) "Department" refers to the department of state revenue.

(3) "Local income tax for education" refers to the tax imposed under section 2 of this chapter.

(4) "Resident taxpayer", as it relates to a particular school corporation, means an individual who resides in that school corporation.

(5) "School corporation" has the meaning set forth in IC 36-1-2-17.

(6) "School district" has the meaning set forth in IC 3-5-2-47.

(7) "School year" means a twelve (12) month period beginning July 1 of a calendar year.

Sec. 2. (a) Each taxable year, a tax is imposed upon the adjusted gross income of every resident taxpayer in each school corporation at the rate determined under subsection (b).

(b) The department shall determine the tax rate imposed under this section each taxable year. The tax rate imposed under this section is the rate determined under the following STEPS:

STEP ONE: Determine the sum of the general fund levies of each school corporation in Indiana in 2005.

STEP TWO: Multiply the STEP ONE result by one and three-tenths (1.03).

STEP THREE: Determine the statewide tax rate necessary to raise an amount equal to the STEP TWO result.

(c) The department shall publish the rate determined under this section in the Indiana Register before November 1, 2005.

Sec. 3. (a) A special account within the state general fund shall be established for each school corporation. Revenue derived from the imposition of the local income tax for education within a school corporation shall be deposited in that school corporation's special account in the state general fund.

(b) Any income earned on money held in an account under subsection (a) becomes a part of that account.

(c) Any revenue remaining in an account established under subsection (a) at the end of a fiscal year does not revert to the state general fund.

Sec. 4. (a) Subject to section 6 of this chapter, revenue derived from the imposition of the local income tax for education shall, in the manner prescribed by this section, be distributed to the school corporation from which the revenue was collected. The amount that is to be distributed to a school corporation during an ensuing school year equals the amount of revenue from the local income tax for education that the department, after reviewing the

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1 recommendation of the budget agency, estimates will be received
 2 from resident taxpayers of the school corporation during the
 3 twelve (12) month period beginning January 1 of a calendar year.

4 (b) Before December 16 of each calendar year, the department,
 5 after reviewing the recommendation of the budget agency, shall
 6 estimate and certify to each school corporation the amount of
 7 revenue from the local income tax for education that will be
 8 collected from that school corporation during the twelve (12)
 9 month period beginning January 1 of the next calendar year. The
 10 amount certified is the school corporation's certified distribution
 11 for the immediately succeeding school year beginning on July 1 of
 12 the next calendar year. The amount certified may be adjusted
 13 under subsection (c) or (d).

14 (c) The department may certify to a school corporation an
 15 amount that is greater than the estimated twelve (12) month
 16 revenue collection under subsection (b) if the department, after
 17 reviewing the recommendation of the budget agency, determines
 18 that there will be a greater amount of revenue available for
 19 distribution from the school corporation's account established
 20 under section 3 of this chapter.

21 (d) The department may certify an amount less than the
 22 estimated twelve (12) month revenue collection under subsection
 23 (b) if the department, after reviewing the recommendation of the
 24 budget agency, determines that a part of those collections needs to
 25 be distributed during the current school year so that the school
 26 corporation will receive its full certified distribution for the
 27 current school year.

28 (e) One-twelfth (1/12) of each school corporation's certified
 29 distribution for a school year shall be distributed from its account
 30 established under section 3 of this chapter to the school
 31 corporation on the first day of each month of the school year.

32 (f) All distributions from an account established under section
 33 3 of this chapter shall be made by warrants issued by the auditor
 34 of state to the treasurer of state ordering the appropriate
 35 payments.

36 Sec. 5. The revenue a school corporation receives under this
 37 chapter may be used to fund any lawful purpose of the school
 38 corporation and may be deposited in any fund, subject to the
 39 provisions of the school corporation's budget adopted under
 40 IC 21-10. The revenue shall be treated as general money under
 41 IC 21-10.

42 Sec. 6. (a) The total amount of revenue distributed under this

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chapter to a school corporation may not exceed the school corporation's expenditure limitation determined under IC 21-10-2.

(b) If the tax revenue collected under this chapter from a school corporation's resident taxpayers exceeds the school corporation's expenditure limitation, the treasurer of state shall retain the amount of the excess and transfer the amount to the supplemental distribution fund established by section 7 of this chapter.

Sec. 7. (a) The supplemental distribution fund is established for the purpose of receiving tax revenues deposited under section 6 of this chapter. The fund shall be administered by the treasurer of state. The fund consists of:

- (1) money transferred under section 6 of this chapter; and
- (2) money transferred from the property tax replacement fund under IC 6-1.1-21-13.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited into the fund.

(d) Money in fund may be used by the treasurer of state to make supplemental distributions to school corporation that qualify under section 8 of this chapter.

(e) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 8. (a) A school corporation is eligible for a supplemental distribution of the taxes collected under this chapter if the total of all revenues available to the school corporation is less than the school corporation's expenditure limit as determined under IC 21-10-2.

(b) A school corporation may claim a supplemental distribution under this section in a manner prescribed by the treasurer of state.

Sec. 9. For purposes of this chapter, an individual is treated as a resident of the school corporation in which the individual:

- (1) maintains a home, if the individual maintains only one (1) home in Indiana;
- (2) if subdivision (1) does not apply, is registered to vote;
- (3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or
- (4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time spent in Indiana during the taxable year in question.

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1 **Sec. 10. (a) Except as provided in subsection (b) and the other**
 2 **provisions of this chapter, all provisions of the adjusted gross**
 3 **income tax law (IC 6-3) concerning:**

4 **(1) definitions;**

5 **(2) declarations of estimated tax;**

6 **(3) filing of returns;**

7 **(4) deductions or exemptions from adjusted gross income;**

8 **(5) remittances;**

9 **(6) incorporation of the provisions of the Internal Revenue**
 10 **Code;**

11 **(7) penalties and interest; and**

12 **(8) exclusion of military pay credits for withholding;**

13 **apply to the imposition, collection, and administration of the tax**
 14 **imposed by this chapter.**

15 **(b) IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do**
 16 **not apply to the tax imposed by this chapter.**

17 **(c) The tax imposed under this chapter is a listed tax for the**
 18 **purposes of IC 6-8.1.**

19 **(d) Notwithstanding subsections (a) and (b), each employer shall**
 20 **report to the department and the school corporation the amount of**
 21 **withholdings attributable to each school corporation. This report**
 22 **shall be submitted at the same time that the employer submits the**
 23 **employer's other withholding report to the department.**

24 **Sec. 11. Notwithstanding any other law, if a school corporation**
 25 **desires to issue obligations, or enter into leases, payable wholly or**
 26 **in part by school corporation's distributions of the local income tax**
 27 **for education, the obligations of the school corporation or any**
 28 **lessor may be sold at public sale in accordance with IC 5-1-11 or at**
 29 **negotiated sale.**

30 **SECTION 10. IC 6-8.1-1-1 IS AMENDED TO READ AS**
 31 **FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. "Listed taxes" or**
 32 **"taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through**
 33 **IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat**
 34 **wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) (repealed);**
 35 **the utility receipts tax (IC 6-2.3); the state gross retail and use taxes**
 36 **(IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net**
 37 **income tax (IC 6-3-8) (repealed); the county adjusted gross income tax**
 38 **(IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county**
 39 **economic development income tax (IC 6-3.5-7); the municipal option**
 40 **income tax (IC 6-3.5-8); the local income tax for education**
 41 **(IC 6-3.5-10); the auto rental excise tax (IC 6-6-9); the financial**
 42 **institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative**

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fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 11. IC 20-1-1.3-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 8. (a) A public school that receives a monetary award under this chapter may expend that award for any educational purpose for that school, except:

- (1) athletics;
- (2) salaries for school personnel; or
- (3) salary bonuses for school personnel.

(b) A monetary award may not be used, **before January 1, 2007**, to determine:

- (1) the maximum permissible general fund ad valorem property tax levy under IC 6-1.1-19-1.5 (**repealed January 1, 2007**); or
- (2) the tuition support under ~~IC 21-3-1.6~~; **IC 21-3-1.7**;

of the school corporation of which the school receiving the monetary award is a part.

SECTION 12. IC 20-2-2-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. (a) The township trustees of each and every township of each county shall perform all the civil functions performed before March 13, 1947, by such township trustees and together with other township trustees of the county shall constitute a county board of education for the purpose of managing the affairs of the county school corporation hereby created in each such county. School cities and school towns shall retain independent organization and administration unless abandoned as provided by law, and the county school corporation, also referred to in this chapter as the county, shall include all areas not organized on March 13, 1947, under

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the laws of this state into jurisdictions controlled and governed as school cities or school towns. Said county board of education may be referred to interchangeably as the county board of school trustees and as the board. Said board shall meet at such time as the board shall designate at the office of the county superintendent of schools and at such other times and places as the county superintendent of schools may deem necessary. At the first meeting of each year, to be held on the first Wednesday after the first Monday in January, the board shall organize by selecting a president, a vice president, a secretary, and a treasurer from its membership. Provided, however, that no later than April 12, 1947, it shall be the duty of the county superintendent of schools to call said board into special session and unless the county board of education shall elect to have the provisions of this section remain inoperative, under provisions that may be included within this section, said board shall so organize itself, except that the failure of the county superintendent of schools to call the county board of education into session within the prescribed limits of this section shall not be construed to mean that a county school corporation as described in this section shall be brought into existence in such county, and no such county school corporation shall be brought into existence until the board has met in special session subsequent to March 13, 1947, and has taken action to organize itself into a county school corporation, after consideration of the question whether it should elect to have the provisions of this section remain inoperative under provisions that may be included within this section. Such organization when and if effected shall be filed with the county auditor and shall be published by said auditor in two (2) newspapers of different political persuasions of general circulation throughout the county within ten (10) days after such filing, and such organization shall be deemed to fulfill all the requirements of this section for the transacting of public business under this section. The secretary of the board shall keep an accurate record of the minutes of the board, which minutes shall be kept at the county superintendent's office. The county superintendent shall act as administrator of the board and shall carry out such acts and duties as shall be designated by the board. A quorum shall consist of two-thirds (2/3) of the members of the board.

(b) The board shall make decisions as to the general conduct of the schools, which shall be enforced as entered upon the minutes recorded by the secretary of the board, and shall exercise all powers exercised before March 13, 1947, under the law, by or through township trustees or meetings or petitions of the trustees of the county.

(c) The board shall appoint a county superintendent of schools who

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1 shall serve for a term of four (4) years. The first such appointment
 2 under this section shall be made in accordance with law in June 1949,
 3 to become effective August 16, 1949, and thereafter the board shall fill
 4 vacancies in this office by appointments which shall expire at the end
 5 of the regular term. The county superintendent of schools and other
 6 persons employed for administrative or supervisory duties shall be
 7 deemed to be supervisors of instruction.

8 (d) The government of the common schools of the county shall be
 9 vested in the board, and the board shall function with all the authority,
 10 powers, privileges, duties, and obligations granted to or required of
 11 school cities before March 13, 1947, and school towns and their
 12 governing boards generally under the laws pertaining thereto with
 13 reference to the purchase of supplies, purchase and sale of buildings,
 14 grounds, and equipment, the erection of buildings, the employment and
 15 dismissal of school personnel, the right and power to sue and be sued
 16 in the name of the county, the insuring of property and employees, the
 17 levying **or imposition** and collecting of taxes **as authorized by law**,
 18 the making and executing of a budget, the borrowing of money, the
 19 paying of the salaries and expenses of the county superintendent and
 20 employees as approved by the board and to any act necessary to the
 21 proper administration of the common schools of the county.

22 (e) Such school corporations shall be vested with all right, title, and
 23 interest of their respective predecessor township school corporations
 24 hereby terminated to and in all the real, personal, and other property of
 25 any nature and from whatever source derived, and shall assume, pay,
 26 and be liable for all the indebtedness and liabilities of the same.

27 (f) The treasurer, before entering upon the duties of ~~his~~ **the**
 28 **treasurer's** office, shall execute a bond to the acceptance of the county
 29 auditor in an amount equal to the largest sum of money that will be in
 30 the possession of the treasurer at any one time conditioned as an
 31 ordinary official bond, with a reliable surety company or at least two
 32 (2) sufficient freehold sureties, who shall not be members of such
 33 board, as surety or sureties on such bond. The president and secretary
 34 shall each give bond, with like surety or sureties, to be approved by the
 35 county auditor, in the sum of one-fourth (1/4) of said amount. ~~Provided,~~
 36 ~~that such~~ **The** boards of school trustees may purchase said bonds from
 37 some reliable surety company, and pay for them out of the special
 38 school revenue of their respective counties.

39 (g) The powers set forth in this section shall not be considered as or
 40 construed to limit the power and authority of such boards to the powers
 41 therein expressly conferred or to restrict or modify any powers or
 42 authority granted by any other law not in conflict with the provisions

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of this section.

(h) Every such board shall have, as respects the levy of taxes by it, power annually to levy such amount of taxes as **permitted by law that** in the judgment of such board, made matter of record in its minutes, should be levied to produce income sufficient to conduct and carry on the common schools committed to such board, and it is hereby made the duty of such board annually to levy a sum sufficient to meet all payments of principal and interest as they will mature in the year for which such levy is made on the bonds, notes, or other obligations of such board. The power of such board in so making tax levies shall be exercised within statutory limits and said levies shall be subject to the same review as school city and school town levies.

SECTION 13. IC 20-2-9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. Said school trustees shall maintain in each school corporation a term of school at least six (6) months in duration and shall authorize a local tuition levy sufficient to conduct a six (6) months term of school each year based on estimates and receipts from all sources for the previous year, which may include that received from the state's tuition revenue. ~~Provided, Such~~ **The** levy shall not exceed the limit now provided by law. **This section expires January 1, 2007.**

SECTION 14. IC 20-3-11-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 18. Every such board of school commissioners shall have, as respects the levy of taxes by it, power annually to levy such amount of taxes as **permitted by law that** in the judgment of said board, made matter of record in its minutes, should be levied to produce income sufficient to conduct and carry on the work committed to such board, and it is hereby made the duty of said board annually to levy a sum sufficient to meet all payments of principal and interest as they will mature in the year for which such levy is made on the bonds, notes or other obligations of said board, and the fund arising from any levy made by such board shall be known as its "general fund." Said general fund may lawfully be used by said board for any purpose within the scope of the duties of such board as imposed by law.

SECTION 15. IC 20-3-11-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 20. **(a)** Each such board of school commissioners may from time to time, whenever its general fund shall be exhausted or in the board's judgment be in danger of exhaustion, make temporary loans for the use of its general fund to be paid: ~~out of~~

(1) before January 1, 2007, from the proceeds of taxes

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1 ~~therefore~~ levied by ~~such~~ the school city for its general fund; or
 2 **(2) after December 31, 2006, from money to be deposited in**
 3 **the general fund.**

4 The amount so borrowed in aid of said general fund shall be paid into
 5 said general fund and may be used for any purpose for which the said
 6 general fund lawfully may be used. Any such temporary loan shall be
 7 evidenced by the promissory note or notes of said school city, shall
 8 bear interest at not more than seven ~~per cent~~ **percent** (7%) per annum,
 9 interest payable at the maturity of the note or periodically, as the note
 10 may express, and shall mature at such time or times as the board of
 11 school commissioners may decide, but not later than one (1) year from
 12 the date of the note. **Before January 1, 2007, no ~~such~~ loan or loans**
 13 **made in any one (1) calendar year ~~shall~~ may be for a sum greater than**
 14 **the amount estimated by ~~said~~ the board as the proceeds to be received**
 15 **by it from the levy of taxes ~~therefore~~ made by ~~said~~ the school city in**
 16 **behalf of for its ~~said~~ general fund. After December 31, 2006, no loan**
 17 **or loans made in any one (1) calendar year may be for a sum**
 18 **greater than the amount estimated by the board to be deposited in**
 19 **the general fund before the due date of the note. Before January 1,**
 20 **2007, successive loans may be made in aid of ~~said~~ the general fund in**
 21 **any calendar year, but the aggregate amount ~~thereof~~, of all loans made**
 22 **under this section and outstanding at any one (1) time, ~~shall~~ may not**
 23 **exceed ~~such~~ the estimated proceeds of taxes levied in behalf of for the**
 24 **~~said~~ general fund. After December 31, 2006, successive loans may be**
 25 **made in aid of the general fund in any calendar year, but the total**
 26 **amount of all loans made under this section and outstanding at any**
 27 **one (1) time may not exceed the estimated amounts to be deposited**
 28 **in the general fund during the terms of the notes.**

29 **(b)** No such loan shall be made until notice asking for bids therefor
 30 shall have been given by newspaper publication, which publication
 31 shall be made one (1) time in a newspaper published in said city and
 32 said publication shall be at least seven (7) days before the time when
 33 bids for such loans will be opened. Bidders shall name the amount of
 34 interest they agree to accept not exceeding seven ~~per cent~~ **percent** (7%)
 35 per annum, and the loan shall be made to the bidder or bidders bidding
 36 the lowest rate of interest. The note or notes or warrants shall not be
 37 delivered until the full price of the face thereof shall be paid to the
 38 treasurer of said school city, and no interest shall accrue thereon before
 39 such delivery.

40 **(c)** Any such school corporation wishing to make a temporary loan
 41 in aid of its general fund, finding that it has need to exercise the power
 42 in this section ~~above given~~ to make a temporary loan, which has in its

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1 treasury money derived from the sale of bonds, which money derived
 2 from the sale of bonds ~~can not cannot~~ or will not, in the due course of
 3 the business of said school city, be expended in the then near future,
 4 may, if it so elects, temporarily borrow, and without payment of
 5 interest, from such bond fund, for the use and aid of said general fund
 6 in the manner and to the extent hereinafter expressed, viz.: Such school
 7 city shall, by its board of school commissioners, take all the steps
 8 required by law to effect such temporary loan up to the point of
 9 advertising for bids or offers for such loans; it shall then present to the
 10 department of local government finance, ~~of the state of Indiana~~, and to
 11 the state board of accounts, ~~of the state of Indiana~~, a copy of the
 12 corporate action of ~~said the~~ school city concerning its desire to make
 13 ~~such the~~ temporary loan and a petition showing the particular need for
 14 such temporary loan, and the amount and the date or dates when said
 15 general fund will need such temporary loan, or ~~instalments~~
 16 ~~installments~~ of ~~such the~~ loan, and the date at which ~~such the~~ loan, and
 17 each ~~instalment thereof~~, **installment of the loan** will be needed, and
 18 the estimated amounts from taxes **first due and payable before**
 19 **January 1, 2007**, to come into ~~said the~~ general fund, and the dates
 20 when it is expected ~~such the~~ proceeds of taxes **first due and payable**
 21 **before January 1, 2007** will be received by such school city ~~in behalf~~
 22 ~~of said for the~~ general fund, and showing what amount of money said
 23 school city has in any fund derived from the proceeds of the sale of
 24 bonds, which ~~can not cannot~~ or will not be expended in the then near
 25 future, and showing when and to what extent and why money in such
 26 bond fund, not soon to be expended, will not be expended in the then
 27 near future and requesting that the department of local government
 28 finance, and said state board of accounts, respectively, authorize a
 29 temporary loan from said bond fund in aid of said general fund.

30 **(d) After December 31, 2006, the school city shall present to the**
 31 **department of local government finance and to the state board of**
 32 **accounts the information required by subsection (c) except for:**

33 **(1) the estimated amounts from property taxes to come into**
 34 **the general fund; and**

35 **(2) the dates when it is expected the proceeds of property**
 36 **taxes will be received by the school city for the general fund.**

37 **The school city shall instead provide the estimated amounts to be**
 38 **deposited in the general fund and the dates when the school city**
 39 **expects the amounts to be received.**

40 **(e) If the department of local government finance shall find and**
 41 **order that there is need for such temporary loan, and that it should be**
 42 **made, and said state board of accounts shall find that the money**

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proposed to be borrowed will not be needed during the period of the temporary loan by the fund from which it is to be borrowed, and the state board of accounts and the department of local government finance shall approve the loan, the business manager and treasurer of said school city shall, upon such approval by the state board of accounts and the department of local government finance, take all steps necessary to transfer the amount of such loans, as a temporary loan from the fund to be borrowed from, to said general fund of such school city. The loan so effected shall, for all purposes, be a debt of the school city chargeable against its constitutional debt limit.

(f) The state board of accounts and the department of local government finance may fix the aggregate amount so to be borrowed on any one (1) petition and shall determine at what time or times and in what ~~instalments~~ **installments** and for what periods it shall be borrowed. **Before January 1, 2007, the treasurer and business manager of such the school city, from time to time, as money shall be is collected from taxes levied in behalf of said for the general fund, shall credit the same on such the loan until the amount borrowed is fully repaid to the lending fund, and they shall at the end of each calendar month report to the board the several amounts so applied from taxes to the payment of such the loan. After December 31, 2006, the treasurer and business manager of the school city, periodically as money is collected for the general fund, shall credit the money collected to the loan until the amount borrowed is fully repaid to the lending fund, and they shall at the end of each calendar month report to state board of accounts and the department of local government finance the amounts applied to the payment of the loan.**

(g) The school city shall, as often as once a month, report to both the state board of accounts and the department of local government finance the amount of money then so borrowed and unpaid, the anticipated like borrowings of the current month, the amount left in the said general fund, and the anticipated drafts upon the lending bond fund for the objects for which that fund was created.

(h) The state board of accounts and the department of local government finance, or either of them, may, if it shall seem to the board and department, or to either of them, that the fund from which the loan was made requires the repayment of all or of part of such loan(s) before its maturity or said general fund no longer requires all or some part of the proceeds of such loan, require such school city to repay all or any part of such loan, and, if necessary to perform the requirement, such school city shall exercise its power of making a temporary loan

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procured from others to raise the money so needed to repay the lending bond fund the amount so ordered repaid.

SECTION 16. IC 20-3.1-15-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. To provide the board with the necessary flexibility and resources to carry out this article, the following apply:

(1) The board may eliminate or modify existing policies, create new policies, and alter policies from time to time, subject to this article and the plan developed under IC 20-3.1-7.

(2) Beginning on July 1, 2001, IC 20-7.5 applies to the school city; however, the provision of IC 20-7.5-1-5(a) that requires any items included in the 1972-1973 agreements between an employer school corporation and an employee organization to continue to be bargainable does not apply to the school city.

(3) The board of school commissioners may waive the following statutes and rules for any school in the school city without the need for administrative, regulatory, or legislative approval:

(A) The following rules concerning curriculum and instructional time:

511 IAC 6.1-3-4

511 IAC 6.1-5-0.5

511 IAC 6.1-5-1

511 IAC 6.1-5-2.5

511 IAC 6.1-5-3.5

511 IAC 6.1-5-4

(B) The following ~~rules~~ **rule** concerning pupil/teacher ratios:

~~511 IAC 6-2-1(b)(2)~~

511 IAC 6.1-4-1

(C) The following statutes and rules concerning textbooks, and rules adopted under the statutes:

IC 20-10.1-9-1

IC 20-10.1-9-18

IC 20-10.1-9-21

IC 20-10.1-9-23

IC 20-10.1-9-27

IC 20-10.1-10-1

IC 20-10.1-10-2

511 IAC 6.1-5-5

(D) The following ~~rules~~ **rule** concerning school principals:

~~511 IAC 6-2-1(c)(4)~~

511 IAC 6.1-4-2

(E) ~~511 IAC 2-2~~, concerning school construction and

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(4) Notwithstanding any other law, a school city may do the following:

(A) Lease school transportation equipment to others for nonschool use when the equipment is not in use for a school city purpose.

(B) Establish a professional development and technology fund to be used for:

(i) professional development; or

(ii) technology, including video distance learning.

(C) Transfer funds obtained from sources other than state or local government taxation among any account of the school corporation, including a professional development and technology fund established under clause (B).

(5) Transfer funds obtained from property taxation ~~among~~ **between** the general fund (established under IC 21-2-11) and the school transportation fund (established under IC 21-2-11.5), subject to the following:

(A) **For property taxes first due and payable:**

(i) **before January 1, 2007**, the sum of the property tax rates for the general fund and the school transportation fund after a transfer occurs under this subdivision may not exceed the sum of the property tax rates for the general fund and the school transportation fund before a transfer occurs under this ~~clause~~ **subdivision; and**

(ii) **after December 31, 2006, the property tax rate for the school transportation fund may not exceed the property tax rate for the school transportation fund before a transfer occurs under this subdivision.**

(B) This ~~clause~~ **subdivision** does not allow a school corporation to transfer to any other fund money from the debt service fund (established under IC 21-2-4).

SECTION 17. IC 20-4-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. It is the sense of the Indiana general assembly:

(1) that the establishment and maintenance of a general, uniform, and efficient system of public schools is the traditional and current policy of the state of Indiana;

(2) that improvement in the organization of school corporations of the state will provide a more equalized educational opportunity for public school pupils, will achieve greater equity in school ~~tax~~ **rates** among the inhabitants of the various now existing

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1 school corporations, and will provide a more effective use of the
2 public funds expended for the support of the public school
3 system;

4 (3) that existing statutes with respect to the combination and the
5 reorganization of school corporations are inadequate to effectuate
6 the needed improvement;

7 (4) that modifications in the statutory provisions for the
8 combination and the reorganization of school corporations
9 provided in this chapter are necessary in order to assure the future
10 maintenance of a uniform and efficient system of public schools
11 in the state;

12 (5) that local electors have an interest in the boundaries of the
13 school corporation in which they reside and will exercise their
14 privileges, as provided in this chapter, to the end of establishing
15 an efficient and economical reorganization plan best suited to
16 local conditions; and

17 (6) that the state board of education, committees, and the public
18 officers charged with authority under this chapter, will perform
19 their duties wisely in view of the objective of this chapter as set
20 forth in the title of this chapter.

21 SECTION 18. IC 20-4-1-26.9 IS AMENDED TO READ AS
22 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 26.9. (a) This section
23 applies to each school corporation, whenever created.

24 (b) Each board of school trustees created under this chapter may
25 annually levy the amount of taxes **permitted by law** that, in the
26 judgment of the board, made a matter of record in its minutes, should
27 be levied to produce income sufficient to conduct and carry on the
28 public schools committed to the board. The board shall annually levy
29 a rate that will produce a sum sufficient to meet all payments of
30 principal and interest as they mature in the year for which the levy is
31 made on the bonds, notes, or other obligations of the community school
32 corporation.

33 (c) The power of the board in making tax levies shall be exercised
34 within existing statutory limits. The levies are subject to the same
35 review as school city levies and shall be at a uniform and equal rate on
36 all taxable property located within the boundaries of the community
37 school corporation.

38 SECTION 19. IC 20-4-1-32 IS AMENDED TO READ AS
39 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 32. (a) For the purpose
40 of defraying the expenses of the county study, a county committee may
41 prepare and submit to the county council on or before August 1 of each
42 year during the life of the committee, a budgetary request. The county

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council may, upon receipt of such request, establish a uniform ad valorem tax levy on all real and personal property situated within the county, in such amount as shall be sufficient to raise an amount of money not to exceed the amount of such budget request.

(b) The county committee may request from the county council sufficient sums of money necessary to defray legal expenses incident to placing the county plan in operation.

(c) This section expires January 1, 2007.

SECTION 20. IC 20-4-5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 9. Except as otherwise provided with respect to the power to issue bonds in section 10 of this chapter, said school board shall perform the duties and shall have all the powers vested in the school board or board of trustees of a school city of the class in which the consolidated school corporation would fall on the basis of its population according to the last preceding United States census under the statutes of this state, if it were organized as a school city. In the event, however, such consolidated school corporation has a population determined in such manner of less than two thousand (2,000), such school board shall perform the duties and shall have all the powers vested in the school board of a school town. The cost of maintaining such consolidated schools shall be borne by the consolidated school corporation, as a single tax unit. Taxes to meet such cost shall be levied by said consolidated school board at a uniform and equal rate on all the taxable property located within the limits of said consolidated school corporation, and collected in the city or cities, town or towns, township or townships in the same manner as other taxes are levied and collected. **However, this section does not authorize a school corporation to levy property taxes for the school corporation's general fund after December 31, 2006.**

SECTION 21. IC 20-4-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) County school corporations may be formed in any county in either of the following ways:

(1) By majority vote of the township trustees in any county, who shall hold an officially called public meeting wherein taxpayers of the county may be heard, at least ten (10) days following publication of notice of such meeting held within ~~said the~~ county and stating the time and place ~~thereof of the public meeting~~ in accordance with IC 5-3-1 and who shall ~~therein~~ adopt a resolution ~~wherein such trustees shall at the public meeting to~~ provide for and approve the creation of ~~such a~~ county school corporation, then ~~said a~~ county school corporation shall be created and come

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into existence subject to the provisions and under the conditions prescribed in this chapter.

(2) By action of the voters within any county in the following manner:

(A) Whenever a petition requesting a referendum in the township school corporations outside of the cities and towns of a county, on the question of whether ~~said a~~ county school corporation shall be created, signed by a number of registered voters in each school township in the county equal to five percent (5%) of the number of votes cast in that township for the office of secretary of state in the last general election shall be filed in the office of the clerk of the circuit court in said county, the clerk shall call a meeting of the county election board, which board shall provide for ~~said a~~ referendum **under this subdivision.**

(B) If the referendum will not be conducted at a general election or primary election, the proper taxing authorities **of the townships** shall levy and appropriate funds for ~~such a~~ the referendum.

(C) ~~Said~~ **The** referendum shall be held at a special election not less than thirty (30) days after publication of notice in accordance with IC 5-3-1 or at the next primary or general election after the filing of ~~said a~~ petition and shall be submitted only to voters of the county residing in ~~said the~~ area **described in clause (A).**

(b) The question shall be placed on the ballot in the form prescribed by IC 3-10-9-4 and must state "Shall the school townships of _____ county be formed into one **(1)** county school corporation under IC 20-4-8?".

(c) ~~In the event~~ **If** a majority of those voting ~~on such in the~~ referendum vote in the affirmative, a county school corporation shall be created and come into existence subject to the provisions and under the conditions described under this chapter. ~~In the event~~ **If** a majority of those voting in ~~said the~~ referendum vote in the negative, the existing school corporations ~~and government thereof~~ shall remain unaffected.

SECTION 22. IC 20-4-8-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 11. (a) The board as above referred to shall make decisions pertaining to the general conduct of the schools which shall be enforced as entered upon the minutes recorded by the secretary of the board, and subject to provisions in this chapter otherwise, shall exercise all powers previously exercised under the law, by or through township trustees or

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meetings or petitions of the township trustees of the county, or county boards of education previously existing, and such offices, namely, township trustee, county board or county boards of education insofar as the conduct of public schools is concerned are abolished as of noon on the day and date the county school corporation is created and comes into existence under this chapter.

(b) The county superintendent of schools and other persons employed for administrative or supervisory duties may be deemed to be supervisors of instruction.

(c) The government of the common schools of the county shall be vested in the board, and the board shall function with all the authority, powers, privileges, duties, and obligations previously granted to or required of school cities and their governing boards generally under the laws pertaining thereto with reference to the purchase of supplies, purchase and sale of buildings, grounds, and equipment, the erection of buildings, the employment and dismissal of school personnel, the insuring of property and employees, the levying and collecting of taxes, the making and executing of a budget, the borrowing of money, the paying of the salaries and expenses of the county superintendent and employees as approved by the board, shall be a body corporate and politic by the name and style of "The County School Corporation of _____ County, Indiana" with the right to prosecute and defend suits, and shall act in any manner necessary to the proper administration of the common schools of the county.

(d) School corporations shall be vested with all rights, titles, and interests of their respective predecessor township and town school corporations terminated, and in all the real, personal, and other property of any nature and from whatever source derived, and shall assume, pay, and be liable for all the indebtedness, obligations, and liabilities and duties of the predecessor corporations from whatever source derived and however arising, and shall institute and defend suits arising out of aforesaid liabilities, obligations, duties, and rights assumed as a county school corporation.

(e) The treasurer, before entering upon the duties of ~~his~~ **the treasurer's** office, shall execute a bond to the acceptance of the county auditor in an amount equal to the largest sum of money that will be in the possession of the treasurer at any one time, conditioned as an ordinary official bond, with a reliable surety company or at least two (2) sufficient freehold sureties, who shall not be members of such board, as surety or sureties on such bond. The president and the secretary shall each give bond, with like surety or sureties, to be approved by the county auditor, in the sum of one-fourth (1/4) of said

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1 amount. Boards of school trustees may purchase bonds from some
 2 reliable surety company and pay for them out of the special school
 3 revenue of their respective counties.

4 (f) The powers set forth in this section shall not be considered as or
 5 construed to limit the power and authority of such boards to the powers
 6 therein expressly conferred or to restrict or modify any powers or
 7 authority granted by any other law not in conflict with the provisions
 8 of this section.

9 (g) Every such board shall have the power annually to levy such
 10 amount of taxes as **permitted by law that** in the judgment of such
 11 board, made matter of record in its minutes, should be levied to
 12 produce income sufficient to conduct and carry on the common schools
 13 committed to such board, and it is made the duty of such board
 14 annually to levy a rate and levy that will produce a sum sufficient to
 15 meet all payments of principal and interest as they will mature in the
 16 year for which such levy is made on the bonds, notes, or other
 17 obligations of such board. The power of such board in so making tax
 18 levies shall be exercised within existing statutory limits and said levies
 19 shall be subject to the same review as school city levies.

20 SECTION 23. IC 20-4-8-21 IS AMENDED TO READ AS
 21 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 21. (a) The board as
 22 referred to in this chapter shall make decisions pertaining to the general
 23 conduct of the schools which shall be enforced as entered upon the
 24 minutes recorded by the secretary of the board, and, subject to this
 25 chapter, shall exercise all powers previously exercised under the law,
 26 by or through township trustees or meetings or petitions of the
 27 township trustees of the county, and/or county boards of education
 28 previously existing, and such offices, namely township trustee, county
 29 board and/or county boards of education insofar as the conduct of
 30 public schools is concerned are hereby abolished as of noon on the day
 31 and date the metropolitan school district is created and comes into
 32 existence.

33 (b) The metropolitan superintendent of schools and other persons
 34 employed for administrative or supervisory duties may be deemed to
 35 be supervisors of instruction and as such eligible, subject to the rules
 36 that have been or shall be adopted by the state board of education, to
 37 qualify for teaching units in accordance with law.

38 (c) The government of the common schools of said district shall be
 39 vested in the board, and the board shall function with all the authority,
 40 powers, privileges, duties, and obligations previously granted to or
 41 required of school cities and their governing boards generally under the
 42 laws pertaining thereto with reference to the purchase of supplies,

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1 purchase and sale of buildings, grounds, and equipment, the erection
 2 of buildings, the employment and dismissal of school personnel, the
 3 insuring of property and employees, the levying and collecting of taxes,
 4 the making and executing of a budget, the borrowing of money, the
 5 paying of the salaries and expenses of the county superintendent and
 6 employees as approved by the board, shall be a body corporate and
 7 politic by the name and style of "The Metropolitan School District of
 8 _____, Indiana" with the right to prosecute and defend suits and
 9 shall act in any manner necessary to the proper administration of the
 10 common schools of the county.

11 (d) Such school districts shall be vested with all rights, titles, and
 12 interests of their respective predecessor township and town school
 13 corporations hereby terminated and in all the real, personal, and other
 14 property of any nature and from whatever source derived, and shall
 15 assume, pay, and be liable for all the indebtedness, obligations, and
 16 liabilities and duties of said predecessor corporations from whatever
 17 source derived and however arising and shall institute and defend suits
 18 arising out of aforesaid liabilities, obligations, duties, and rights
 19 assumed as a metropolitan school district.

20 (e) The treasurer, before entering upon the duties of ~~his~~ **the**
 21 **treasurer's** office, shall execute a bond to the acceptance of the county
 22 auditor which shall in no event be greater than the largest sum of
 23 money that will be in the possession of the treasurer at any one time.
 24 The board of education may purchase said bond from a reliable surety
 25 company and pay for it out of the special school revenue of the
 26 metropolitan district.

27 (f) The powers set forth in this section shall not be considered as or
 28 construed to limit the power and authority of such boards to the powers
 29 therein expressly conferred or to restrict or modify any powers or
 30 authority granted by any other law not in conflict with the provisions
 31 of this section.

32 (g) Every such board shall have the power annually to levy such
 33 amount of taxes as **permitted by law that** in the judgment of such
 34 board, made matter of record in its minutes, should be levied to
 35 produce income sufficient to conduct and carry on the common schools
 36 committed to such board, and it is hereby made the duty of such board
 37 annually to levy a rate and levy that will produce a sum sufficient to
 38 meet all payments of principal and interest as they will mature in the
 39 year for which such levy is made on the bonds, notes, or other
 40 obligations of such board. The power of such board in so making tax
 41 levies shall be exercised within statutory limits and said levies shall be
 42 subject to the same review as school city levies.

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SECTION 24. IC 20-4-8-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 22. ~~Provided, however, That~~ Wherever a metropolitan school district formed hereunder shall include territory lying in more than one (1) county the respective counties, boards, commissions, and officers of each of said counties shall do and perform and cause to be done and performed all things required hereby to form such metropolitan school district jointly and severally as the case may require for the proper formation and functioning thereof including but not restricted to the following: the dividing of the same into board member districts, the levying **or imposition** and collection of taxes **authorized by law** and allocation of receipts thereof, the filing of petitions for nomination, the printing and distribution of ballots, tabulating and certifying election results, and filling of vacancies.

SECTION 25. IC 20-4-8-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 23. Whenever any county or metropolitan school district shall have been created as provided herein, the boards of education of such districts shall be empowered to levy **or impose** and collect taxes **authorized by law that are** sufficient in amount to conduct the schools of said district. ~~in the same manner and with the same supervision that taxes are levied and collected by cities and towns.~~

SECTION 26. IC 20-4-56-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. Whenever, in the judgment of a school trustee, or a board of school trustees, of any school corporation in this state lying adjacent to a school corporation of another state, the best interests of the public schools can be promoted by purchasing school grounds, repairing or erecting a schoolhouse or schoolhouses, and maintaining a school jointly between the two (2) adjacent school corporations, the school trustee or school trustees of the school corporation of this state so situated are hereby empowered to enter into an agreement with the school authorities of said adjacent school corporation for the purpose of purchasing school grounds, repairing or constructing school building or buildings, purchasing school furniture, equipment, appliances, **or** fuel, employing teachers, and maintaining a school when, in the judgment of said school trustee or trustees of this state, the best interests of the public school can be promoted by so doing, and such trustee or trustees of this state are hereby empowered to levy **or impose** taxes **authorized by law** and perform such other duties in maintaining such joint school as are otherwise provided by law for maintaining the public schools in this state. In carrying out the provisions of this section, the school

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corporation shall pay such proportion of the cost of purchasing school grounds, repairing or erecting new building or buildings, and in maintaining the joint school, as shall seem to be equitable and just, in the judgment of the school trustees of the two (2) adjacent school corporations.

SECTION 27. IC 20-4-57-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 9. The department may **not** grant permission to a township school or a township to impose an excess levy to satisfy its obligations under this chapter.

SECTION 28. IC 20-5-1.5-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 7. A school corporation does not have any of the following powers:

(1) Those powers expressly prohibited of a unit under IC 36-1-3-8.

(2) The power for eminent domain, unless specifically authorized by statute.

(3) The power to prescribe a civil penalty or a fine.

(4) The power to adopt ordinances.

(5) The power to require the attendance of witnesses and the production of documents relative to matters being considered, unless specifically authorized by statute.

(6) The power to exercise powers outside of the boundaries of the school corporation, unless authorized by statute through joint agreements or otherwise.

(7) The power to impose an ad valorem property tax levy for the school corporation's general fund for property taxes first due and payable after December 31, 2006.

SECTION 29. IC 20-5-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. In carrying out the school purposes of each school corporation, its governing body acting on its behalf shall have the following specific powers:

(1) In the name of the school corporation, to sue and be sued and to enter into contracts in matters permitted by applicable law.

(2) To take charge of, manage, and conduct the educational affairs of the school corporation and to establish, locate, and provide the necessary schools, school libraries, other libraries where permitted by law, other buildings, facilities, property, and equipment therefor.

(2.5) To appropriate ~~from the general fund~~ an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based upon the school

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1 corporation's previous year's average daily membership (as
 2 defined in IC 21-3-1.6-1.1) for the purpose of promoting the best
 3 interests of the school corporation by:

4 (A) the purchase of meals, decorations, memorabilia, or
 5 awards;

6 (B) provision for expenses incurred in interviewing job
 7 applicants; or

8 (C) developing relations with other governmental units.

9 (3) To acquire, construct, erect, maintain, hold, and to contract for
 10 such construction, erection, or maintenance of such real estate,
 11 real estate improvements, or any interest in either, as the
 12 governing body deems necessary for school purposes, including
 13 but not limited to buildings, parts of buildings, additions to
 14 buildings, rooms, gymnasiums, auditoriums, playgrounds, playing
 15 and athletic fields, facilities for physical training, buildings for
 16 administrative, office, warehouse, repair activities, or housing of
 17 school owned buses, landscaping, walks, drives, parking areas,
 18 roadways, easements and facilities for power, sewer, water,
 19 roadway, access, storm and surface water, drinking water, gas,
 20 electricity, other utilities and similar purposes, by purchase, either
 21 outright for cash (or under conditional sales or purchases money
 22 contracts providing for a retention of a security interest by seller
 23 until payment is made or by notes where such contract, security
 24 retention, or note is permitted by applicable law), by exchange, by
 25 gift, by devise, by eminent domain, by lease with or without
 26 option to purchase, or by lease under IC 21-5-10, IC 21-5-11, or
 27 IC 21-5-12. To repair, remodel, remove, or demolish any such real
 28 estate, real estate improvements, or interest in either, as the
 29 governing body deems necessary for school purposes, and to
 30 contract therefor. To provide for energy conservation measures
 31 through utility energy efficiency programs or under a guaranteed
 32 energy savings contract as described in IC 36-1-12.5.

33 (4) To acquire such personal property or any interest therein as
 34 the governing body deems necessary for school purposes,
 35 including but not limited to buses, motor vehicles, equipment,
 36 apparatus, appliances, books, furniture, and supplies, either by
 37 outright purchase for cash, or under conditional sales or purchase
 38 money contracts providing for a security interest by the seller
 39 until payment is made or by notes where such contract, security,
 40 retention, or note is permitted by applicable law, by gift, by
 41 devise, by loan, or by lease with or without option to purchase and
 42 to repair, remodel, remove, relocate, and demolish such personal

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property. All purchases and contracts delineated under the powers given under subdivision (3) and this subdivision shall be subject solely to applicable law relating to purchases and contracting by municipal corporations in general and to the supervisory control of agencies of the state as provided in section 3 of this chapter.

(5) To sell or exchange any of such real or personal property or interest therein, which in the opinion of the governing body is not necessary for school purposes, in accordance with IC 20-5-5, to demolish or otherwise dispose of such property if, in the opinion of the governing body, it is not necessary for school purposes and is worthless, and to pay the expenses for such demolition or disposition.

(6) To lease any school property for a rental which the governing body deems reasonable or to permit the free use of school property for:

(A) civic or public purposes; or

(B) the operation of a school age child care program for children aged five (5) through fourteen (14) years that operates before or after the school day, or both, and during periods when school is not in session;

if the property is not needed for school purposes. Under this subdivision, the governing body may enter into a long term lease with a nonprofit corporation, community service organization, or other governmental entity, if the corporation, organization, or other governmental entity will use the property to be leased for civic or public purposes or for a school age child care program. However, if the property subject to a long term lease is being paid for from money in the school corporation's debt service fund, then all proceeds from the long term lease shall be deposited in that school corporation's debt service fund so long as the property has not been paid for. The governing body may, at its option, use the procedure specified in IC 36-1-11-10 in leasing property under this subdivision.

(7) To employ, contract for, and discharge superintendents, supervisors, principals, teachers, librarians, athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under IC 20-6.1-3), business managers, superintendents of buildings and grounds, janitors, engineers, architects, physicians, dentists, nurses, accountants, teacher aides performing noninstructional duties, educational and other professional consultants, data processing and computer service for school purposes, including

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but not limited to the making of schedules, the keeping and analyzing of grades and other student data, the keeping and preparing of warrants, payroll, and similar data where approved by the state board of accounts as provided below, and such other personnel or services, all as the governing body considers necessary for school purposes. To fix and pay the salaries and compensation of such persons and such services. To classify such persons or services and to adopt schedules of salaries or compensation. To determine the number of such persons or the amount of services thus employed or contracted for. To determine the nature and extent of their duties. The compensation, terms of employment, and discharge of teachers shall, however, be subject to and governed by the laws relating to employment, contracting, compensation, and discharge of teachers. The compensation, terms of employment, and discharge of bus drivers shall be subject to and shall be governed by any laws relating to employment, contracting, compensation, and discharge of bus drivers. The forms and procedures relating to the use of computer and data processing equipment in handling the financial affairs of such school corporation shall be submitted to the state board of accounts for approval to the end that such services shall be used by the school corporation when the governing body determines that it is in the best interests of the school corporation while at the same time providing reasonable accountability for the funds expended.

(8) Notwithstanding the appropriation limitation in subdivision (2.5), when the governing body by resolution deems a trip by an employee of the school corporation or by a member of the governing body to be in the interest of the school corporation, including but not limited to attending meetings, conferences, or examining equipment, buildings, and installation in other areas, to permit such employee to be absent in connection with such trip without any loss in pay and to refund to such employee or to such member ~~his~~ the reasonable hotel and board bills and necessary transportation expenses. To pay teaching personnel for time spent in sponsoring and working with school related trips or activities.

(9) To transport children to and from school, when in the opinion of the governing body such transportation is necessary, including but not limited to considerations for the safety of such children and without regard to the distance they live from the school, such transportation to be otherwise in accordance with the laws applicable thereto.

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(10) To provide a lunch program for a part or all of the students attending the schools of the school corporation, including but not limited to the establishment of kitchens, kitchen facilities, kitchen equipment, lunch rooms, the hiring of the necessary personnel to operate such program, and the purchase of any material and supplies therefor, charging students for the operational costs of such lunch program, fixing the price per meal or per food item. To operate such lunch program as an extracurricular activity, subject to the supervision of the governing body. To participate in any surplus commodity or lunch aid program.

(11) To purchase textbooks, to furnish them without cost or to rent them to students, to participate in any textbook aid program, all in accordance with applicable law.

(12) To accept students transferred from other school corporations and to transfer students to other school corporations in accordance with applicable law.

(13) To levy **or impose** taxes **authorized by law**, to make budgets, to appropriate funds, and to disburse the money of the school corporation in accordance with the laws applicable thereto. To borrow money against current tax collections and otherwise to borrow money, in accordance with IC 20-5-4.

(14) To purchase insurance or to establish and maintain a program of self-insurance relating to the liability of the school corporation or its employees in connection with motor vehicles or property and for any additional coverage to the extent permitted and in accordance with IC 34-13-3-20. To purchase additional insurance or to establish and maintain a program of self-insurance protecting the school corporation and members of the governing body, employees, contractors, or agents of the school corporation from any liability, risk, accident, or loss related to any school property, school contract, school or school related activity, including but not limited to the purchase of insurance or the establishment and maintenance of a self-insurance program protecting such persons against false imprisonment, false arrest, libel, or slander for acts committed in the course of their employment, protecting the school corporation for fire and extended coverage and other casualty risks to the extent of replacement cost, loss of use, and other insurable risks relating to any property owned, leased, or held by the school corporation. To:

(A) participate in a state employee health plan under IC 5-10-8-6.6;

(B) purchase insurance; or



(C) establish and maintain a program of self-insurance; to benefit school corporation employees, which may include accident, sickness, health, or dental coverage, provided that any plan of self-insurance shall include an aggregate stop-loss provision.

(15) To make all applications, to enter into all contracts, and to sign all documents necessary for the receipt of aid, money, or property from the state government, the federal government, or from any other source.

(16) To defend any member of the governing body or any employee of the school corporation in any suit arising out of the performance of ~~his~~ **the member's or employee's** duties for or employment with the school corporation, provided the governing body by resolution determined that such action was taken in good faith. To save any such member or employee harmless from any liability, cost, or damage in connection therewith, including but not limited to the payment of any legal fees, except where such liability, cost, or damage is predicated on or arises out of the bad faith of such member or employee, or is a claim or judgment based on ~~his~~ **the member's or employee's** malfeasance in office or employment.

(17) To prepare, make, enforce, amend, or repeal rules, regulations, and procedures for the government and management of the schools, property, facilities, and activities of the school corporation, its agents, employees, and pupils and for the operation of its governing body, which rules, regulations, and procedures may be designated by any appropriate title such as "policy handbook", "bylaws", or "rules and regulations".

(18) To ratify and approve any action taken by any member of the governing body, any officer of the governing body, or by any employee of the school corporation after such action is taken, if such action could have been approved in advance, and in connection therewith to pay any expense or compensation permitted under IC 20-5-1 through IC 20-5-6 or any other law.

(19) To exercise any other power and make any expenditure in carrying out its general powers and purposes provided in this chapter or in carrying out the powers delineated in this section which is reasonable from a business or educational standpoint in carrying out school purposes of the school corporation, including but not limited to the acquisition of property or the employment or contracting for services, even though such power or expenditure shall not be specifically set out herein. The specific

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1 powers set out in this section shall not be construed to limit the
 2 general grant of powers provided in this chapter except where a
 3 limitation is set out in IC 20-5-1 through IC 20-5-6 by specific
 4 language or by reference to other law.

5 SECTION 30. IC 20-5-2-4 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4. Notwithstanding any
 7 other statute to the contrary, the governing body of each school
 8 corporation may, by resolution, appoint its superintendent of schools
 9 or any person residing inside its boundaries to serve on any other
 10 public board, commission, or public body including park boards,
 11 library boards, ~~tax adjustment boards~~, or city or county plan
 12 commissions, where legislation requires or permits representation by
 13 a member of the governing body, its superintendent or other designated
 14 educator as a member of the public board, commission, or body.

15 SECTION 31. IC 20-5-4-8 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 8. (a) Whenever the
 17 governing board of a school corporation finds and declares that an
 18 emergency exists for the borrowing of money with which to pay current
 19 expenses from a particular fund before the receipt of revenues from
 20 taxes levied **or imposed** or state tuition support distributions for such
 21 fund, the governing board may issue warrants in anticipation of the
 22 receipt of said revenues.

23 (b) The principal of these warrants shall be payable solely from the
 24 fund for which the taxes are levied or from the general fund in the case
 25 of anticipated state tuition support distributions. However, the interest
 26 on these warrants may be paid from the debt service fund, from the
 27 fund for which the taxes are levied, or the general fund in the case of
 28 anticipated state tuition support distributions.

29 (c) The amount of principal of temporary loans maturing on or
 30 before June 30 for any fund shall not exceed eighty percent (80%) of
 31 the amount of taxes and state tuition support distributions estimated to
 32 be collected or received for and distributed to the fund at the June
 33 settlement.

34 (d) The amount of principal of temporary loans maturing after June
 35 30, and on or before December 31, shall not exceed eighty percent
 36 (80%) of the amount of taxes and state tuition support distributions
 37 estimated to be collected or received for and distributed to the fund at
 38 the December settlement.

39 (e) At each settlement, the amount of taxes and state tuition support
 40 distributions estimated to be collected or received for and distributed
 41 to the fund includes any allocations to the fund from the property tax
 42 replacement fund.

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(f) The estimated amount of taxes and state tuition support distributions to be collected or received and distributed shall be made by the county auditor or the auditor's deputy. The warrants evidencing any loan in anticipation of tax revenue or state tuition support distributions shall not be delivered to the purchaser of the warrant nor payment made on the warrant before January 1 of the year the loan is to be repaid. However, the proceedings necessary to the loan may be held and carried out before January 1 and before the approval. The loan may be made even though a part of the last preceding June or December settlement has not yet been received.

(g) Proceedings for the issuance and sale of warrants for more than one (1) fund may be combined, but separate warrants for each fund shall be issued and each warrant shall state on its face the fund from which its principal is payable. No action to contest the validity of such warrants shall be brought later than fifteen (15) days from the first publication of notice of sale.

(h) No issue of tax or state tuition support anticipation warrants shall be made if the aggregate of all these warrants exceed twenty thousand dollars (\$20,000) until the issuance is advertised for sale, bids received, and an award made by the governing board as required for the sale of bonds, except that the sale notice need not be published outside of the county nor more than ten (10) days before the date of sale.

(i) A school corporation may not levy property taxes to be expended from the school corporation's general fund for purposes of this section.

SECTION 32. IC 20-5-13-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 9. (a) All school cities, school townships, school towns, and joint districts are hereby authorized to establish, equip, operate, and maintain school kitchens and school lunch rooms, for the improvement of the health of the school children attending school therein, and for the advancement of the educational work of their respective schools; to employ all necessary directors, assistants, and agents; and appropriate funds of such school corporations for such purpose. Such participation in a school lunch program pursuant to the provisions of this chapter shall be discretionary with the governing board of any school corporation.

(b) In the event that federal funds are not available for the purpose of carrying on a school lunch program, the state of Indiana shall not participate in such school lunch program and any money appropriated by the state of Indiana for such purpose, and not expended, shall immediately revert to the state general fund. Failure on the part of the state of Indiana to participate in the school lunch program shall not

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1 invalidate any appropriation made or school lunch program carried on
 2 by any school corporation by means of gifts or money raised by tax ~~levy~~
 3 ~~pursuant to the provisions of this chapter~~ **revenues** for the purpose of
 4 such school lunch program.

5 SECTION 33. IC 20-5-15-1 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. In all the cities and
 7 incorporated towns of this state, the board of school trustees, board of
 8 school commissioners, or whatever board may be established by law to
 9 take charge of the public or common schools of said city or
 10 incorporated town, shall have power, if, in their discretion, they deem
 11 it to the public interest, to establish a free public library in connection
 12 with the common schools of said city or incorporated town, and to
 13 make such rules and regulations for the care and protection and
 14 government of such library and for the care of the books provided
 15 therefor, and for the taking from and returning to said library of such
 16 books as the said board may deem necessary and proper, and to provide
 17 penalties for the violation thereof. However, in any city or incorporated
 18 town where there is already established a library open to all the people,
 19 no tax shall be levied for the purpose herein named. **This section does**
 20 **not authorize a school corporation to impose a property tax for the**
 21 **school corporation's general fund that is first due and payable**
 22 **after December 31, 2006.**

23 SECTION 34. IC 20-5-15-2 IS AMENDED TO READ AS
 24 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. Such board shall also
 25 have power to levy a tax of not exceeding one (1) mill on each dollar
 26 of taxable property assessed for taxation in such city in each year.
 27 ~~which~~ **The** tax shall be placed on the tax duplicate of such city and
 28 collected in the same manner as other taxes, and when said taxes are so
 29 collected, they shall be paid over to the said board for the support and
 30 maintenance of said public library. Such board shall have power, and
 31 it shall be its duty, to disburse said fund, and all revenues derived from
 32 gift or devise, in providing and fitting up suitable rooms for such
 33 library, in the purchase, care and binding of books therefor, and in the
 34 payment of salaries to a librarian and necessary assistants. **This section**
 35 **does not authorize a school corporation to impose a property tax**
 36 **for the school corporation's general fund that is first due and**
 37 **payable after December 31, 2006.**

38 SECTION 35. IC 20-5-17.5-2 IS AMENDED TO READ AS
 39 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) This subsection
 40 does not apply to a school corporation in a county having a population
 41 of more than two hundred thousand (200,000) but less than three
 42 hundred thousand (300,000). The governing body of a school

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corporation may annually appropriate, from its general fund, a sum of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation to be paid to a historical society, subject to subsection (c). **This subsection does not authorize a school corporation to impose a property tax for the school corporation's general fund that is first due and payable after December 31, 2006.**

(b) This subsection applies only to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). To provide funding for a historical society under this section, the governing body of a school corporation may impose a tax of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation. This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 (**repealed January 1, 2007**) or the provisions of IC 21-2-11-8. The school corporation shall deposit the proceeds of the tax in a fund to be known as the historical society fund. The historical society fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for a historical society under this section. Subject to subsection (c), the governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to a historical society having facilities in the county.

(c) Before a historical society may receive payments under this section, its governing board must adopt a resolution that entitles:

- (1) the governing body of the school corporation to appoint its superintendent and one (1) of its history teachers as visitors, with the privilege of attending all meetings of the society's governing board;
- (2) the governing body of the school corporation to nominate two (2) persons for membership on the society's governing board;
- (3) the school corporation to use any of the society's facilities and equipment for educational purposes consistent with the society's purposes;
- (4) the students and teachers of the school corporation to tour the society's museum, if any, free of charge; and
- (5) the school corporation to borrow artifacts from the society's collection, if any, for temporary exhibit in the schools.

SECTION 36. IC 20-5-17.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. (a) This section applies to school corporations in a county containing a city having a

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1 population of:

- 2 (1) more than one hundred fifty thousand (150,000) but less than
3 five hundred thousand (500,000);
4 (2) more than one hundred twenty thousand (120,000) but less
5 than one hundred fifty thousand (150,000);
6 (3) more than ninety thousand (90,000) but less than one hundred
7 five thousand (105,000);
8 (4) more than one hundred five thousand (105,000) but less than
9 one hundred twenty thousand (120,000); or
10 (5) more than seventy-five thousand (75,000) but less than ninety
11 thousand (90,000).

12 (b) In order to provide funding for an art association under this
13 section, the governing body of a school corporation may impose a tax
14 of not more than five-tenths of one cent (\$0.005) on each one hundred
15 dollars (\$100) of assessed valuation in the school corporation. This tax
16 is not subject to the tax levy limitations imposed on the school
17 corporation by IC 6-1.1-19-1.5 (**repealed January 1, 2007**) or the
18 provisions of IC 21-2-11-8.

19 (c) The school corporation shall deposit the proceeds of the tax
20 imposed under subsection (b) in a fund to be known as the art
21 association fund. The art association fund is separate and distinct from
22 the school corporation's general fund and may be used only for the
23 purpose of providing funds for an art association under this section.
24 The governing body of the school corporation may annually
25 appropriate the money in the fund to be paid in semiannual installments
26 to an art association having facilities in a city that is listed in subsection
27 (a), subject to subsection (d).

28 (d) Before an art association may receive payments under this
29 section, its governing board must adopt a resolution that entitles:

- 30 (1) the governing body of the school corporation to appoint its
31 superintendent and its director of art instruction as visitors, with
32 the privilege of attending all meetings of the association's
33 governing board;
34 (2) the governing body of the school corporation to nominate
35 persons for membership on the association's governing board,
36 with at least two (2) of the nominees to be elected;
37 (3) the school corporation to use any of the association's facilities
38 and equipment for educational purposes consistent with the
39 association's purposes;
40 (4) the students and teachers of the school corporation to tour the
41 association's museum and galleries free of charge;
42 (5) the school corporation to borrow materials from the

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association for temporary exhibit in the schools;

(6) the teachers of the school corporation to receive normal instruction in the fine and applied arts at half the regular rates charged by the association; and

(7) the school corporation to expect such exhibits in the association's museum as will supplement the work of the students and teachers of the corporation.

A copy of the resolution, certified by the president and secretary of the association, must be filed in the office of the school corporation before payments may be received.

(e) A resolution filed under subsection (d) need not be renewed from year to year but continues in effect until rescinded. An art association that complies with this section is entitled to continue to receive payments under this section as long as it so complies.

(f) Whenever more than one (1) art association in a city that is listed in subsection (a) qualifies to receive payments under this section, the governing body of the school corporation shall select the one (1) art association best qualified to perform the services described by subsection (c). A school corporation may select only one (1) art association to receive payments under this section.

SECTION 37. IC 20-5-52-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. At the public hearing and before bids for construction of the project are invited, the governing body shall adopt a resolution specifying:

(1) the educational purpose the building will serve;

(2) the estimated cost of construction including the cost of land; and

(3) any other pertinent information, including the estimated impact on the ~~tax rate~~ taxes and the proposed sources of funding.

SECTION 38. IC 20-5-62-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 6. Except as provided in this chapter and notwithstanding any other law, a freeway school corporation or a freeway school may do the following during the contract period:

(1) Disregard the observance of any statute or rule that is listed in the contract.

(2) Lease school transportation equipment to others for nonschool use when the equipment is not in use for a school corporation purpose, if the lessee has not received a bid from a private entity to provide transportation equipment or services for the same purpose.

(3) Replace the budget and accounting system that is required by

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law with a budget or accounting system that is frequently used in the private business community. The state board of accounts may not go beyond the requirements imposed upon the state board of accounts by statute in reviewing the budget and accounting system used by a freeway school corporation or a freeway school. (4) Establish a professional development and technology fund to be used for:

- (A) professional development; or
- (B) technology, including video distance learning.

However, any money deposited in the professional development and technology fund for technology purposes must be transferred to the school technology fund established under IC 21-2-18.

(5) Subject to subdivision (4), transfer funds obtained from sources other than state or local government taxation among any accounts of the school corporation, including a professional development and technology fund established under subdivision (4).

(6) Transfer funds obtained from property taxation and from state distributions ~~among~~ **between** the general fund (established under IC 21-2-11) and the school transportation fund (established under IC 21-2-11.5), subject to the following:

(A) For property taxes first due and payable:

(i) before January 1, 2007, the sum of the property tax rates for the general fund and the school transportation fund after a transfer occurs under this subdivision may not exceed the sum of the property tax rates for the general fund and the school transportation fund before a transfer occurs under this subdivision; **and**

(ii) after December 31, 2006, the property tax rate for the school transportation fund after a transfer occurs under this subdivision may not exceed the property tax rate for the school transportation fund before a transfer occurs under this subdivision.

(B) This subdivision does not allow a school corporation to transfer to any other fund money from the:

- (i) capital projects fund (established under IC 21-2-15); or
- (ii) debt service fund (established under IC 21-2-4).

(7) Establish a locally adopted assessment program to replace the assessment of students under the ISTEP program established under IC 20-10.1-16-8, subject to the following:

- (A) A locally adopted assessment program must be established by the governing body and approved by the department.

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(B) A locally adopted assessment program may use a locally developed test or a nationally developed test.

(C) Results of assessments under a locally adopted assessment program are subject to the same reporting requirements as results under the ISTEP program.

(D) Each student who completes a locally adopted assessment program and the student's parent or guardian has the same rights to inspection and rescoring as are set forth in IC 20-10.1-16-7(d).

SECTION 39. IC 20-5.5-7-3.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3.5. (a) This section applies to a conversion charter school.

(b) Not later than the date established by the department for determining average daily membership under IC 21-3-1.6-1.1(d), and after July 2, the organizer shall submit to a governing body on a form prescribed by the department the information reported under section 3(a) of this chapter for each student who:

- (1) is enrolled in the organizer's conversion charter school; and
- (2) has legal settlement in the governing body's school corporation.

(c) Beginning not more than sixty (60) days after the department receives the information reported under section 3(a) of this chapter, the department shall distribute to the organizer:

- (1) tuition support and other state funding for any purpose for students enrolled in the conversion charter school;
- (2) a proportionate share of state and federal funds received for students with disabilities or staff services for students with disabilities for students with disabilities enrolled in the conversion charter school; and
- (3) a proportionate share of funds received under federal or state categorical aid programs for students who are eligible for the federal or state categorical aid and are enrolled in the conversion charter school;

for the second six (6) months of the calendar year in which the conversion charter school is established. The department shall make a distribution under this subsection at the same time and in the same manner as the department makes a distribution to the governing body of the school corporation in which the conversion charter school is located. A distribution to the governing body of the school corporation in which the conversion charter school is located is reduced by the amount distributed to the conversion charter school. This subsection does not apply to a conversion charter school after December 31 of the

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1 calendar year in which the conversion charter school is established.

2 (d) This subsection applies beginning with the first property tax
3 distribution described in IC 6-1.1-27-1 to the governing body of the
4 school corporation in which a conversion charter school is located after
5 the governing body receives the information reported under subsection
6 (b). Not more than ten (10) days after the governing body receives a
7 property tax distribution described in IC 6-1.1-27-1, the governing
8 body shall distribute to the conversion charter school the amount
9 determined under STEP THREE of the following formula:

10 STEP ONE: Determine the quotient of:

11 (A) the number of students who:

12 (i) are enrolled in the conversion charter school; and

13 (ii) were counted in the ADM of the previous year for the
14 school corporation in which the conversion charter school is
15 located; divided by

16 (B) the current ADM of the school corporation in which the
17 conversion charter school is located.

18 In determining the number of students enrolled under clause
19 (A)(i), each kindergarten pupil shall be counted as one-half (1/2)
20 pupil.

21 STEP TWO: Determine the total amount of the following
22 revenues to which the school corporation in which the conversion
23 charter school is located is entitled for the second six (6) months
24 of the calendar year in which the conversion charter school is
25 established:

26 (A) Revenues obtained by the school corporation's:

27 (i) general fund property tax levy; and

28 (ii) excise tax revenue (as defined in IC 21-3-1.7-2).

29 (B) The school corporation's certified distribution of county
30 adjusted gross income tax revenue under IC 6-3.5-1.1 that is
31 to be used as property tax replacement credits.

32 STEP THREE: Determine the product of:

33 (A) the STEP ONE amount; multiplied by

34 (B) the STEP TWO amount.

35 **This subsection expires January 1, 2007.**

36 (e) Subsection (d) does not apply to a conversion charter school
37 after the later of the following dates:

38 (1) December 31 of the calendar year in which the conversion
39 charter school is established.

40 (2) Ten (10) days after the date on which the governing body of
41 the school corporation in which the conversion charter school is
42 located receives the final distribution described in IC 6-1.1-27-1

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of revenues to which the school corporation in which the conversion charter school is located is entitled for the second six (6) months of the calendar year in which the conversion charter school is established.

(f) This subsection applies during the second six (6) months of the calendar year in which a conversion charter school is established. A conversion charter school may apply for an advance from the charter school advancement account under IC 20-5.5-7.5 in the amount determined under STEP FOUR of the following formula:

STEP ONE: Determine the result under subsection (d) STEP ONE (A).

STEP TWO: Determine the difference between:

(A) the conversion charter school's current ADM; minus

(B) the STEP ONE amount.

STEP THREE: Determine the quotient of:

(A) the STEP TWO amount; divided by

(B) the conversion charter school's current ADM.

STEP FOUR: Determine the product of:

(A) the STEP THREE amount; multiplied by

(B) the quotient of:

(i) the subsection (d) STEP TWO amount; divided by

(ii) two (2).

SECTION 40. IC 20-8.1-6.1-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 8. (a) As used in this section, the following terms have the following meanings:

(1) "Class of school" refers to a classification of each school or program in the transferee corporation by the grades or special programs taught at the school. Generally, these classifications are denominated as kindergarten, elementary school, middle school or junior high school, high school, and special schools or classes, such as schools or classes for special education, vocational training, or career education.

(2) "ADM" means the following:

(A) For purposes of allocating to a transfer student state distributions under IC 21-1-30 (primetime), "ADM" as computed under IC 21-1-30-2.

(B) For all other purposes, "ADM" as set forth in IC 21-3-1.6-1.1.

(3) "Pupil enrollment" means the following:

(A) The total number of students in kindergarten through grade 12 who are enrolled in a transferee school corporation on a date determined by the Indiana state board of education.

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(B) The total number of students enrolled in a class of school in a transferee school corporation on a date determined by the Indiana state board of education.

However, a kindergarten student shall be counted under clauses (A) and (B) as one-half (1/2) a student.

(4) "Special equipment" means equipment that during a school year:

(A) is used only when a child with disabilities is attending school;

(B) is not used to transport a child to or from a place where the child is attending school;

(C) is necessary for the education of each child with disabilities that uses the equipment, as determined under the individualized instruction program for the child; and

(D) is not used for or by any child who is not a child with disabilities.

The Indiana state board of education may select a different date for counts under subdivision (3). However, the same date shall be used for all school corporations making a count for the same class of school.

(b) Each transferee corporation is entitled to receive for each school year on account of each transferred student, except a student transferred under section 3 of this chapter, transfer tuition from the transferor corporation or the state as provided in this chapter. Transfer tuition equals the amount determined under STEP THREE of the following formula:

STEP ONE: Allocate to each transfer student the capital expenditures for any special equipment used by the transfer student and a proportionate share of the operating costs incurred by the transferee school for the class of school where the transfer student is enrolled.

STEP TWO: If the transferee school included the transfer student in the transferee school's ADM for a school year, allocate to the transfer student a proportionate share of the following general fund revenues of the transferee school for, except as provided in clause (C), the calendar year in which the school year ends:

(A) The following state distributions that are computed in any part using ADM or other pupil count in which the student is included:

(i) Primetime grant under IC 21-1-30.

(ii) Tuition support for basic programs and at-risk weights under IC 21-3-1.7-8 (before January 1, 1996) and only for basic programs (after December 31, 1995).

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- (iii) Enrollment growth grant under IC 21-3-1.7-9.5.
- (iv) At-risk grant under IC 21-3-1.7-9.7.
- (v) Academic honors diploma award under IC 21-3-1.7-9.8.
- (vi) Vocational education grant under IC 21-3-12.
- (vii) Special education grant under IC 21-3-2.1.
- (viii) The portion of the ADA flat grant that is available for the payment of general operating expenses under IC 21-3-4.5-2(b)(1).

(B) For school years beginning:

(i) after June 30, 1997; and

(ii) before January 1, 2007;

property tax levies.

(C) For school years beginning after June 30, 1997, excise tax revenue (as defined in IC 21-3-1.7-2) received for deposit in the calendar year in which the school year begins.

(D) For school years beginning after June 30, 1997, allocations to the transferee school under IC 6-3.5.

(E) For school years beginning after December 31, 2006, distributions to the transferee school under IC 6-3.5-10.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the result of subtracting the STEP TWO amount from the STEP ONE amount.

If a child is placed in an institution or facility in Indiana under a court order, the institution or facility shall charge the county office of the county of the student's legal settlement under IC 12-19-7 for the use of the space within the institution or facility (commonly called capital costs) that is used to provide educational services to the child based upon a prorated per student cost.

(c) Operating costs shall be determined for each class of school where a transfer student is enrolled. The operating cost for each class of school is based on the total expenditures of the transferee corporation for the class of school from its general fund expenditures as specified in the classified budget forms prescribed by the state board of accounts. This calculation excludes:

- (1) capital outlay;
- (2) debt service;
- (3) costs of transportation;
- (4) salaries of board members;
- (5) contracted service for legal expenses; and
- (6) any expenditure which is made out of the general fund from extracurricular account receipts;

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for the school year.

(d) The capital cost of special equipment for a school year is equal to:

(1) the cost of the special equipment; divided by

(2) the product of:

(A) the useful life of the special equipment, as determined under the rules adopted by the Indiana state board of education; multiplied by

(B) the number of students using the special equipment during at least part of the school year.

(e) When an item of expense or cost described in subsection (c) cannot be allocated to a class of school, it shall be prorated to all classes of schools on the basis of the pupil enrollment of each class in the transferee corporation compared to the total pupil enrollment in the school corporation.

(f) Operating costs shall be allocated to a transfer student for each school year by dividing:

(1) the transferee school corporation's operating costs for the class of school in which the transfer student is enrolled; by

(2) the pupil enrollment of the class of school in which the transfer student is enrolled.

When a transferred student is enrolled in a transferee corporation for less than the full school year of pupil attendance, the transfer tuition shall be calculated by the portion of the school year for which the transferred student is enrolled. A school year of pupil attendance consists of the number of days school is in session for pupil attendance. A student, regardless of the student's attendance, is enrolled in a transferee school unless the student is no longer entitled to be transferred because of a change of residence, the student has been excluded or expelled from school for the balance of the school year or for an indefinite period, or the student has been confirmed to have withdrawn from school. The transferor and the transferee corporation may enter into written agreements concerning the amount of transfer tuition due in any school year. Where an agreement cannot be reached, the amount shall be determined by the Indiana state board of education, and costs may be established, when in dispute, by the state board of accounts.

(g) A transferee school shall allocate revenues described in subsection (b) STEP TWO to a transfer student by dividing:

(1) the total amount of revenues received; by

(2) the ADM of the transferee school for the school year that ends in the calendar year in which the revenues are received.

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1 However, for state distributions under IC 21-1-30, IC 21-3-2.1,
 2 IC 21-3-12, or any other statute that computes the amount of a state
 3 distribution using less than the total ADM of the transferee school, the
 4 transferee school shall allocate the revenues to the transfer student by
 5 dividing the revenues that the transferee school is eligible to receive in
 6 a calendar year by the pupil count used to compute the state
 7 distribution.

8 (h) In lieu of the payments provided in subsection (b), the transferor
 9 corporation or state owing transfer tuition may enter into a long term
 10 contract with the transferee corporation governing the transfer of
 11 students. This contract is for a maximum period of five (5) years with
 12 an option to renew, and may specify a maximum number of pupils to
 13 be transferred and fix a method for determining the amount of transfer
 14 tuition and the time of payment, which may be different from that
 15 provided in section 9 of this chapter.

16 (i) If the school corporation can meet the requirements of
 17 IC 21-1-30-5, it may negotiate transfer tuition agreements with a
 18 neighboring school corporation that can accommodate additional
 19 students. Agreements under this section may be for one (1) year or
 20 longer and may fix a method for determining the amount of transfer
 21 tuition or time of payment that is different from the method, amount,
 22 or time of payment that is provided in this section or section 9 of this
 23 chapter. A school corporation may not transfer a student under this
 24 section without the prior approval of the child's parent or guardian.

25 (j) **This subsection applies only to property taxes first due and**
 26 **payable before January 1, 2007.** If a school corporation experiences
 27 a net financial impact with regard to transfer tuition that is negative for
 28 a particular school year as described in IC 6-1.1-19-5.1 (**repealed**
 29 **January 1, 2007**), the school corporation may appeal for an excessive
 30 levy as provided under IC 6-1.1-19-5.1 (**repealed January 1, 2007**).

31 SECTION 41. IC 20-8.1-6.5-4 IS AMENDED TO READ AS
 32 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 4. (a) Where a transfer
 33 is ordered to commence in a school year, where the transferor
 34 corporation has net additional costs over savings (on account of any
 35 transfer ordered) allocable to the calendar year in which the school year
 36 begins, and where the transferee corporation has no budgeted funds for
 37 such net additional costs, they may be recovered by one (1) or more of
 38 the following methods in addition to any other methods provided by
 39 applicable law:

- 40 (1) An emergency loan made pursuant to IC 20-5-4-6 to be paid,
 41 however, out of the debt service levy and fund, or a loan from any
 42 state fund made available therefor.

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(2) An advance in such calendar year of state funds, which would otherwise become payable to the transferee corporation after such calendar year pursuant to applicable law.

(3) A grant or grants in such calendar year from any funds of the state made available therefor.

(b) The net additional costs shall be certified by the department of local government finance, and any grant shall be made solely after affirmative recommendation of the tax control board created by IC 6-1.1-19-4.1 (**repealed January 1, 2007**). Repayment of any advance or loan from the state shall be made in accordance with IC 6-1.1-19-4.5(d) (**repealed January 1, 2007**). The use of any of the methods enumerated above shall not subject the transferor corporation to the provisions of IC 6-1.1-19-4.7 (**repealed January 1, 2007**).

SECTION 42. IC 20-8.1-6.5-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 9. ~~Transportation Costs~~ — ~~State Reimbursement~~. Transportation costs for transferred students for each calendar year or for capital outlay and for operations shall be reimbursed by the state to the transferor corporation in the same percent of the total outlay which the distributions to the transferor corporation under IC 1971, 21-3-1.5-3, or from the state flat grant distribution account where it is credited to the general fund, constitute of its total annual general fund appropriations for such year. In this calculation there shall be excluded from general fund appropriations capital outlay, debt service, and any expenditure which is made out of the general fund from extracurricular accounts. **Before January 1, 2007**, any amount not thus reimbursed and raised as part of the transferor corporation's general fund levy shall constitute an increase in its base tax levy for such budget year, as otherwise defined and as applied in IC 6-1.1-1-16 and IC 6-1.1-19 (**repealed January 1, 2007**). In no event shall the state reimbursement for transportation operating expense to the transferor corporation be less than it would receive under applicable law without regard to this section.

SECTION 43. IC 20-8.1-7-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 18. (a) Whenever the test required under section 17 of this chapter discloses that the hearing of any child is impaired and the child cannot be taught advantageously in regular classes, the governing body of the school corporation shall provide appropriate remedial measures and correctional devices. The governing body shall advise the child's parents of the proper medical care, attention, and treatment needed. The governing body shall provide approved mechanical auditory devices and prescribe courses in lip reading by qualified, competent and approved instructors. The

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1 superintendent of public instruction and the head of the rehabilitative
 2 services bureau of the division of disability, aging, and rehabilitative
 3 services shall cooperate with school corporations to provide this
 4 assistance. They shall also provide advice and information to assist
 5 school corporations in complying with this section. The local governing
 6 body may adopt rules and regulations for the administration of this
 7 section.

8 (b) Each school corporation may receive and accept bequests and
 9 donations for immediate use or as trusts or endowments to assist in
 10 meeting costs and expenses incurred in complying with the
 11 requirements of this section. When funds for the full payment of these
 12 expenses are not otherwise available, in any school corporation, any
 13 unexpended balance in the state treasury which is available for the use
 14 of local schools and is otherwise unappropriated may be loaned to the
 15 school corporation for that purpose by the governor. Any loan made by
 16 the governor under this section shall be repaid to the fund in the state
 17 treasury from which it came within two (2) years after the date it was
 18 advanced. These loans shall be repaid through the levying of taxes **or**
 19 **the use of a local income tax for education distributions** in the
 20 borrowing school corporation.

21 SECTION 44. IC 20-9.1-6-2 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. ~~Security~~
 23 ~~Agreements, Generally.~~ A security agreement under this chapter shall
 24 run for a period not longer than six (6) years. It shall be amortized in
 25 equal, or approximately equal, installments, payable on the first day of
 26 January and July each year. The first installment of principal and
 27 interest shall be due and payable on the first day of July next following
 28 the collection of a tax which was levied **from the school corporation's**
 29 **transportation fund or raised from the school corporation's**
 30 **distributions from the local income tax for education under**
 31 **IC 6-3.5-10** after execution of the security agreement.

32 SECTION 45. IC 20-9.1-6-3 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. ~~Security~~
 34 ~~Agreements, Appropriation.~~ Before a security agreement is executed,
 35 an appropriation for the amount of the purchase price shall be made.
 36 This appropriation is made in the same manner as any other
 37 appropriation, except that its amount is not limited by the amount of
 38 funds presently available or the amount to be raised by a presently
 39 effective tax levy **or to the amount to be raised from distributions**
 40 **from the local income tax for education under IC 6-3.5-10.** No
 41 petition to borrow, notice to taxpayers, or other formality is necessary
 42 except as specifically provided under this chapter and except as may be

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required by law for the issuance of general obligation bonds.

SECTION 46. IC 20-9.1-6-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 5. When a school corporation requires funds to purchase a school bus for cash, it may, in lieu of issuing general obligation bonds, negotiate for and borrow funds or purchase the bus on an installment conditional sales contract or promissory note secured by the bus. To effect a loan, the school corporation shall execute its negotiable note or notes to the lender. The notes shall not extend for more than six (6) years and shall be payable at the same times and in the same manner as provided for security agreements in section 2 of this chapter. Before a note is executed, an appropriation for the amount of the purchase price of the buses and any incidental expenses connected with the purchase or the loan, shall be made in the same manner as other appropriations are made, except that the amount of the appropriation is not limited by the amount of funds available at the time of loan or purchase or by the amount of funds to be raised by a tax levy **or the amount of funds to be raised from distributions from the local income tax for education under IC 6-3.5-10** effective at the time of the loan. No petition to borrow, notice to taxpayers, or other formality is necessary to borrow funds under this section except as specifically provided in this chapter.

SECTION 47. IC 21-1-11-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. The state board of education shall make nondisaster advancements to schools and school corporations under the provisions of this chapter only when the following conditions exist:

(a) (1) The school buildings and classrooms of any school or school corporation are not adequate for the proper education of the pupils in that school or school corporation and the school or school corporation is unable to finance the construction, remodeling, or repair of the necessary classrooms under existing debt and tax limitations without undue financial hardship.

(b) (2) The school corporation or school has issued its bonds for the purpose of constructing, remodeling, or repairing schools and school buildings in ninety percent (90%) of the maximum amount allowable under the constitution and laws of the state of Indiana.

(c) (3) The school or school corporation does not have funds available for the construction, remodeling, or repair of school buildings and classrooms sufficient to meet the requirements for the proper education of the pupils therein.

(d) (4) **To qualify for a loan before January 1, 2007**, the school corporation or school ~~shall have~~ **has** established and maintained

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1 a tax levy in the amount of at least sixteen and sixty-seven
 2 hundredths cents (\$0.1667) on each one hundred dollars (\$100)
 3 of taxable property within the school corporation for school
 4 building purposes continuously for three (3) years prior to the
 5 time when the school or school corporation ~~shall make~~ **makes**
 6 application to the state board of education for an advancement.

7 SECTION 48. IC 21-2-11-2 IS AMENDED TO READ AS
 8 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. **Subject to**
 9 **IC 21-2-19**, the governing body of each school corporation in the state
 10 of Indiana shall establish a general fund for the operation and
 11 maintenance of local schools. ~~and The governing body shall levy a tax~~
 12 ~~therefor in calendar years before January 1, 2007. Except as~~
 13 ~~otherwise provided by statute, all receipts and disbursements~~
 14 ~~heretofore authorized by law for school funds and tax levies for the~~
 15 ~~tuition fund; special school fund; special fund; vocational fund;~~
 16 ~~recreation fund; compulsory education fund; school library fund; high~~
 17 ~~school library fund; public employee's retirement fund; operating fund;~~
 18 ~~transportation tax and county wide school tax shall on and after January~~
 19 ~~1, 1968; must be received in and disbursed from the general fund. For~~
 20 **property taxes first due and payable before January 1, 2007, the**
 21 **tax levy and rate for the general fund shall be established by the**
 22 **governing body of each school corporation. for the 1968 calendar year**
 23 **and all succeeding calendar years. Any balances of all the aforesaid**
 24 **funds on January 1, 1968 shall be transferred to the general fund. After**
 25 **December 31, 2006, a school corporation may not impose a**
 26 **property tax levy for the school corporation's general fund.**

27 SECTION 49. IC 21-2-11-5 IS AMENDED TO READ AS
 28 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 5. Any self supporting
 29 programs maintained by any school corporation, including but not
 30 limited to school lunch and rental or sale of textbooks, may be
 31 established as separate funds, separate and apart from the general fund,
 32 if no **state distributions under IC 21-3-1.7** or local tax rate is
 33 ~~established therefor. funds are involved.~~

34 SECTION 50. IC 21-2-11-6 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 6. Moneys received by
 36 any school corporation for a specific purpose or purposes, by gift,
 37 endowment, or pursuant to any federal statute, may be accounted for by
 38 establishing separate funds, separate and apart from the general fund,
 39 if no **state distributions under IC 21-3-1.7** or local tax funds are
 40 involved. However, no such funds shall be accepted unless the terms
 41 of the gift, endowment, or payment, and the acceptance thereof, are so
 42 stated that the officers of the school corporation are not divested of any

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right or authority which they ~~now have or may hereafter be~~ are granted by law. Such moneys so received for specific purposes, and any earnings thereon, may be disbursed without appropriation.

SECTION 51. IC 21-2-19 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

Chapter 19. School System of Accounts and Accounting

Sec. 1. The state board of accounts shall exercise its authority under IC 5-11-1-2 to establish a uniform system of accounts and accounting for school corporations (as defined in IC 20-5-1-3). The state board of accounts may revise the system of accounts and accounting established under this chapter as the state board of accounts determines necessary to meet the requirements under section 2 of this chapter.

Sec. 2. The system of accounts and accounting established by the state board of accounts under section 1 of this chapter must:

- (1) promote the development of financial reports that are consistent with generally accepted governmental accounting principles;
- (2) facilitate the comparison of annual revenues and expenditures among school corporations;
- (3) assist school corporations in meeting all special reporting requirements imposed under the terms of state law, federal law, an agreement, or a gift;
- (4) provide adequate internal controls; and
- (5) assist the state board of accounts and other auditors in auditing the finances and internal controls of school corporations.

Sec. 3. The system of accounts and accounting established under this chapter may provide for one (1) or more funds and one (1) or more accounts within a fund. The system must provide for a debt service fund as long as the school corporation has outstanding debt service (as defined in IC 21-2-4-2) obligations.

Sec. 4. Money in a fund of a school corporation on December 31, 2006, shall be transferred on January 1, 2007, to the funds and accounts established under this chapter in conformity with the policies and procedures prescribed by the state board of accounts.

Sec. 5. The system of accounts and accounting established under this chapter shall be used by all school corporations after December 31, 2006.

Sec. 6. Every person who has charge of the collection, custody, and disbursement of any funds that are collected and expended for

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the purpose of paying any expenses that may be incurred in conducting any athletic, social, or other school function, the cost of which is not paid from public funds, shall keep an accurate account of all money so received and expended, showing the sources of all such receipts, the purposes for which the money was expended, and the balance on hand. A copy of the report shall be filed with the township trustee, board of school trustees, or board of school commissioners within two (2) weeks after the close of each school year. The filed report is a public record open to inspection by any interested person at any reasonable time during office hours.

SECTION 52. IC 21-2-20 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]:

Chapter 20. Limitation on School General Fund Levies

Sec. 1. This chapter applies to ad valorem property taxes first due and payable after December 31, 2006.

Sec. 2. Except as provided in:

- (1) IC 20-5-15-2 (public library in connection with school);
- (2) IC 20-5-16-2 (nursery schools);
- (3) IC 20-5-17-2 (Children's Museum in Marion County);
- (4) IC 20-5-17.5-2 (historical societies);
- (5) IC 20-5-17.5-3 (art associations);
- (6) IC 20-5-17.5-4 (cultural institutions); and
- (7) IC 20-5-37-4 (public playgrounds);

a school corporation may not levy an ad valorem property tax for the school corporation's general fund.

Sec. 3. (a) As used in this section, "revenues" means motor vehicle excise tax distributions under IC 6-6-5, commercial vehicle excise tax distributions under IC 6-6-5.5, and any other allocation of state tax collections or distributions that by statute:

- (1) are distributed to school corporations; and
- (2) are based on the property tax levies imposed by the taxing units in a county.

The term does not include homestead credits or property tax replacement credits.

(b) After December 31, 2006, a school corporation is entitled to receive for the school corporation's general fund a part of the revenues that are distributed within the county. The amount that the school corporation is entitled to receive during a calendar year equals the amount determined under STEP SEVEN of the following formula:

STEP ONE: Determine the amount of revenues that are

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1 available for distribution in the county in the distribution
2 year.

3 **STEP TWO: Determine the product of:**

4 (A) the average annual percentage of the school general
5 fund budget, using 2002, 2003, and 2004, that was
6 comprised of property tax revenue, including any property
7 tax replacement credits or homestead credits; multiplied
8 by

9 (B) the school general fund budget for the distribution
10 year.

11 **STEP THREE: Determine the quotient of:**

12 (A) the total assessed value of the taxable property that is
13 located in both the school corporation and the county;
14 divided by

15 (B) the total assessed value of the taxable property located
16 in the school corporation.

17 **STEP FOUR: Multiply the STEP TWO product by the STEP
18 THREE quotient.**

19 **STEP FIVE: Determine the sum of:**

20 (A) the property tax levies imposed by all civil taxing units
21 in the county; and

22 (B) the amounts determined under STEP FOUR for all
23 school corporations located in the county.

24 **STEP SIX: Determine the quotient of:**

25 (A) the STEP FOUR product; divided by

26 (B) the STEP FIVE sum.

27 **STEP SEVEN: Multiply the STEP ONE amount by the STEP
28 SIX quotient.**

29 **(c) The amount of revenues distributed to:**

30 (1) taxing units other than a school corporation; and

31 (2) funds of a school corporation for which a property tax levy
32 is imposed;

33 shall be changed for that same year by reducing the amount of
34 revenues distributed by the amount of revenues allocated under
35 this section for that same calendar year. The department of local
36 government finance shall make any adjustments required by this
37 section and provide them to the appropriate county auditors.

38 (d) A school corporation shall be treated as a taxing unit for
39 purposes of a distribution of financial institutions tax revenues
40 under IC 6-5.5-8-2.

41 SECTION 53. IC 21-10 IS ADDED TO THE INDIANA CODE AS
42 A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,

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ARTICLE 10. BUDGETS

Chapter 1. Application; Definitions

Sec. 1. This article applies to all school corporations.

Sec. 2. This article applies only to budgets for a budget year beginning after June 30, 2006.

Sec. 3. The definitions in this chapter apply throughout this article.

Sec. 4. The definitions in IC 36-1-2 apply throughout this article.

Sec. 5. "Budget year" means a year beginning on July 1 in a calendar year and ending on June 30 of the following calendar year.

Sec. 6. "General money" means revenue, including property taxes and distributions from the state, that is subject to the expenditure limit under this article. The term does not include money from an exempted source (as defined in IC 21-10-2-7).

Sec. 7. Not later than November 1, 2005, the department of local government finance shall recalculate all calendar year school budget and tax information necessary to implement this article on a budget year basis. The department of local government finance shall distribute the information to school corporations, county auditors, county treasurers, and county boards of tax adjustment not later than November 1, 2005. The information distributed under this subsection shall be used to implement this article.

Chapter 2. Expenditure Limitation

Sec. 1. This chapter does not apply to the part of an appropriation that is funded from any of the following sources:

- (1) Revenues received from the federal government.**
- (2) Revenues contributed by a governmental entity described in IC 36-1-7-1 to the school corporation to administer an interlocal agreement under IC 36-1-7 or another statute providing for a joint enterprise, if the revenues were:

 - (A) counted toward the expenditure limit of the political subdivision contributing the revenues; or**
 - (B) qualified as exempted source revenues for the political subdivision contributing the revenues.****
- (3) The proceeds of:

 - (A) contracts with; and**
 - (B) grants, gifts, donations, and bequests made to;**
 the school corporation for a purpose specified by the contractor or donor.**
- (4) User charges derived by the school corporation from the**

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1 sale of a product or service:

2 (A) pledged or legally available to repay any security; or

3 (B) for which the quantity of the product or level of service
4 provided to a user is at the discretion of the user.

5 (5) Revenues derived from the issuance of any security.
6 However, this subdivision does not exempt the money pledged
7 to repay the principal of and interest on the security or to
8 establish a reserve for repayment.

9 (6) Revenues received from the sale of fixed assets or gains on
10 fixed asset transfers.

11 (7) Revenues raised to meet a fiscal emergency.

12 (8) Unexpended appropriated balances remaining in a
13 cumulative fund after the year in which the money was
14 appropriated.

15 Sec. 2. As used in this chapter, "adjustment factor" refers to the
16 adjustment factor determined under section 17 of this chapter.

17 Sec. 3. As used in this chapter, "appropriations" refers to the
18 total capital or operating appropriations of a school corporation.
19 The term includes the amount needed to meet the obligations of an
20 allocation district. The term does not include debt service
21 expenditures, emergency expenditures, or expenditures from an
22 exempted source.

23 Sec. 4. As used in this chapter, "base year" means:

24 (1) a school corporation's first budget year beginning after
25 June 30, 2006, if the term is used to compute the expenditure
26 limit for a school corporation that was initially established
27 before July 1, 2006; or

28 (2) the first budget year in which a school corporation
29 operated for an entire budget year, if subdivision (1) does not
30 apply.

31 Sec. 5. As used in this chapter, "base year per capita
32 appropriations" refers to the base year per capita appropriations
33 of a school corporation as determined under section 18 of this
34 chapter.

35 Sec. 6. As used in this chapter, "estimated population" means
36 the total number of individuals who are residents of a school
37 corporation, as determined under section 15 of this chapter.

38 Sec. 7. As used in this chapter, "exempted source" means a
39 source of revenue exempted from the application of this chapter
40 under section 1 of this chapter.

41 Sec. 8. As used in this chapter, "expenditure limit" means the
42 maximum amount of appropriations that a school corporation may

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appropriate for a budget year, as determined under section 19 of this chapter. The term does not refer to actual appropriations or actual expenditures.

Sec. 9. As used in this chapter, "fiscal emergency" means circumstances requiring an expenditure exceeding the expenditure limit, as determined under section 28 of this chapter.

Sec. 10. As used in this chapter, "inflation index" means the change in the general price level of goods and services as determined under section 16 of this chapter.

Sec. 11. As used in this chapter, "revenues" means money received by a school corporation from interest, a tax, a penalty, a grant, a state distribution, or any other receipt.

Sec. 12. As used in this chapter, "security" means any bond, note, warrant, or other evidence of indebtedness, whether or not the bond, note, warrant, or other evidence of indebtedness constitutes a debt of the school corporation within the meaning of Article 13, Section 1 of the Constitution of the State of Indiana.

Sec. 13. A school corporation may not appropriate, allot, or expend in a budget year more than an amount equal to the expenditure limit for the school corporation or as determined under the latest computation made by the department of local government finance under section 14 of this chapter before the beginning of the budget year.

Sec. 14. (a) Not later than six (6) months before the beginning of a school corporation's budget year, the department of local government finance shall make the computations required under sections 15 through 26 of this chapter for the school corporation.

(b) In order to:

(1) correct a clerical or computational error; or

(2) incorporate data that becomes available after the computations are made under subsection (a);

the department of local government finance may adjust a computation under sections 15 through 26 of this chapter for a budget year at any time before the first day of the budget year.

(c) Not later than five (5) business days after the department of local government finance makes the computations under subsection (a) or (b), the department of local government finance shall distribute a copy of the computations for a school corporation in a county to the school corporation and the county auditor.

(d) If the total appropriations of a school corporation will exceed the latest expenditure limit computed under subsection (a) or (b), the school corporation or the department of local

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government finance shall adjust the appropriations to comply with section 13 of this chapter.

Sec. 15. The department of local government finance shall compute the estimated population in the budget year for each school corporation. The estimated population shall be estimated for the first day of the month preceding the budget year by six (6) months using the latest available actual or estimated population data from the Bureau of the Census of the United States Department of Commerce.

Sec. 16. (a) The department of local government finance shall compute an inflation index for each school corporation's:

- (1) base year; and
- (2) next budget year.

(b) The inflation index shall be estimated for the first day of the month preceding the budget year by six (6) months using the implicit price deflator for the gross national product, or its closest equivalent, which is available from the United States Bureau of Economic Analysis.

Sec. 17. (a) The department of local government finance shall compute the adjustment factor for each school corporation's:

- (1) base year; and
- (2) next budget year.

(b) The adjustment factor for the base year is equal to the result determined under STEP THREE of the following formula:

STEP ONE: Determine the estimated population for the base year.

STEP TWO: Determine the quotient of the inflation index for the base year divided by one hundred (100).

STEP THREE: Multiply the STEP ONE amount by the STEP TWO amount.

(c) The adjustment factor for a budget year after the base year is equal to the result determined under STEP FOUR of the following formula:

STEP ONE: Determine the estimated population for the budget year.

STEP TWO: Determine the quotient of:

(A) the inflation index for the budget year minus the inflation index for the base year; divided by

(B) one hundred (100).

STEP THREE: Determine the greater of zero (0) or the STEP TWO result.

STEP FOUR: Multiply the STEP ONE amount by the sum of

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one (1) plus the STEP THREE result.

Sec. 18. The department of local government finance shall compute the amount of the base year per capita appropriations for each school corporation. The amount of the base year per capita appropriations of a school corporation is equal to the quotient of:

- (1) the total appropriations actually expended by a school corporation in the school corporation's base year; divided by
- (2) the adjustment factor for the base year.

Sec. 19. (a) The department of local government finance shall compute the expenditure limit for each school corporation.

(b) The expenditure limit for a school corporation in a year after the base year is the result determined under STEP TWO of the following formula:

STEP ONE: Determine the base year per capita appropriations of the school corporation.

STEP TWO: Multiply the STEP ONE amount by the adjustment factor for the school corporation's budget year.

(c) The expenditure limit for a school corporation that has not operated for at least one (1) full budget year is the total amount of appropriations approved by the department of local government finance for that year.

Sec. 20. If the Bureau of Economic Analysis of the United States Department of Commerce, or its successor agency, changes the base year on which it calculates the implicit price deflator for the gross national product, the department of local government finance shall adjust the implicit price deflator for the gross national product used in making the calculations under this chapter to compensate for the change in the base year.

Sec. 21. If a school corporation:

- (1) transfers a program or service to another unit of government; or
- (2) accepts the responsibility of a program or service from another unit of government;

the expenditure limit and the base year per capita appropriations shall be decreased or increased correspondingly to reflect the changes.

Sec. 22. If a program or service that is administered by a school corporation and that is totally or partially funded by the federal government ceases to be funded by the federal government, the school corporation may elect to fund the entire program or service, and the expenditure limit shall be increased to reflect the changes.

Sec. 23. If a school corporation transfers the funding source of

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1 a program or service from taxes to user charges or other exempted
2 sources specified in this chapter, the expenditure limit shall be
3 decreased to reflect the changes.

4 **Sec. 24.** If a school corporation transfers programs or services
5 that are funded by exempted sources to programs or services that
6 are funded by money subject to this chapter, the expenditure
7 limitation shall be increased to reflect the changes.

8 **Sec. 25.** If a school corporation transfers revenues from sources
9 exempt under this chapter to funds containing revenues from
10 nonexempt sources, the revenues transferred shall be part of and
11 subject to the expenditure limit of this chapter.

12 **Sec. 26.** If a school corporation is initially created in a county
13 after June 30, 2006, the expenditure limits of all school
14 corporations shall be proportionally reduced so that the sum of the
15 expenditure limits for all school corporations in the county is the
16 same before and after the establishment of the new school
17 corporation. However, with the consent of the governing body of
18 each school corporation in the county, the department of local
19 government finance may use a different formula for adjusting the
20 expenditure limits of the school corporations.

21 **Sec. 27.** With the consent of the fiscal body of each affected
22 school corporation, the department of local government finance
23 may lower the expenditure limit of a school corporation and raise
24 the expenditure limit of another school corporation by the same
25 amount.

26 **Sec. 28. (a)** The expenditure limits established by this chapter
27 may be exceeded if:

- 28 (1) a fiscal emergency is declared by at least a two-thirds (2/3)
29 vote of the governing body of the school corporation; and
- 30 (2) the department of local government finance approves the
31 declaration of a fiscal emergency.

32 **(b)** A school corporation may petition the department of local
33 government finance to approve a declaration of a fiscal emergency
34 for the school corporation. The petition must describe the fiscal
35 emergency and indicate the source of revenues that will be used to
36 meet the fiscal emergency. After giving at least ten (10) days notice
37 to the school corporation and the county auditor and publishing at
38 least one (1) notice under IC 5-3-1 in the county, the department of
39 local government finance shall conduct a hearing concerning the
40 petition.

41 **(c)** After the hearing under subsection (b), the department of
42 local government finance shall approve a declaration of a fiscal

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1 emergency only if the department of local government finance
2 determines that:

3 (1) an extraordinary occurrence requires immediate
4 expenditures; or

5 (2) a shortfall of revenues will result in default on the
6 repayment of principal or interest on an indebtedness.

7 (d) Payment of expenses directly related to elimination of an ad
8 valorem property tax system, including the costs of refinancing
9 bonds or leases and settling disputes related to bonds or leases,
10 shall be treated as a fiscal emergency.

11 (e) The department of local government finance shall approve
12 the sources that the school corporation may use to pay for the fiscal
13 emergency. If the department of local government finance
14 authorizes a distribution from the school corporation's account in
15 the state emergency reserve fund established by IC 21-10-5-1, the
16 auditor of state shall make the disbursement to the school
17 corporation in the amount approved by the department of local
18 government finance. The school corporation shall reimburse the
19 school corporation's account in the state emergency reserve fund
20 for the distribution under the schedule determined by the
21 department of local government finance. Reimbursement of the
22 state emergency reserve fund may be treated as a fiscal emergency.

23 Sec. 29. Funding for fiscal emergencies may not be included in
24 the appropriations base for computing the expenditure limit for
25 appropriations in subsequent years. Fiscal emergency
26 appropriations shall remain separate from appropriations subject
27 to limits imposed by this chapter and shall be assigned expiration
28 dates.

29 Sec. 30. If upon audit or examination of the results of an audit
30 of a school corporation, the state board of accounts determines
31 that:

32 (1) funds have been improperly accounted or budgeted for in
33 order to avoid the limitations imposed by this chapter;

34 (2) funds have been improperly exempted from the limitations
35 provided in this chapter;

36 (3) general governmental functions have been improperly
37 financed by user or service charges; or

38 (4) the limitations imposed by this chapter have been
39 exceeded;

40 the state board of accounts shall notify the department of local
41 government finance and the school corporation through the
42 appropriate officer or officers of necessary corrective action. If

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1 after a reasonable time the school corporation has not corrected
 2 the deficiency, the state board of accounts shall refer the matter to
 3 the attorney general.

4 **Chapter 3. Adoption of Budget**

5 **Sec. 1.** The definitions in IC 21-10-2 apply throughout this
 6 chapter.

7 **Sec. 2.** Not later than November 1 of each year, the department
 8 of local government finance shall send a certified statement to each
 9 county auditor computing the total amount of money that is
 10 available for distribution under IC 6-3.5-10 to the school
 11 corporations in the county for the last six (6) months of the current
 12 year and the next budget year.

13 **Sec. 3. (a)** Before December 2 of each year, the county auditor
 14 shall send a certified statement, under the seal of the board of
 15 county commissioners, to the fiscal officer of each school
 16 corporation of the county and the department of local government
 17 finance. The statement must contain an estimate of the revenues to
 18 be distributed to the school corporation during:

- 19 (1) the last six (6) months of the current budget year; and
 20 (2) the next budget year.

21 **(b)** The fiscal officer of each school corporation shall present the
 22 county auditor's statement to the governing body of the school
 23 corporation.

24 **Sec. 4.** When formulating an annual budget estimate, the
 25 governing body of a school corporation shall prepare an estimate
 26 of the revenue that the school corporation will receive from the
 27 state for and during the year for which the budget is being
 28 formulated. The estimated revenues must be shown in the budget
 29 estimate and shall be taken into consideration in calculating any
 30 tax that will be imposed in the ensuing budget year.

31 **Sec. 5. (a)** The governing body of a school corporation shall
 32 formulate its estimated budget on the form prescribed by the state
 33 board of accounts.

34 **(b)** The school corporation shall give notice to taxpayers of the
 35 estimated budget. In the notice, the school corporation shall also
 36 state the date, time, and place at which a public hearing will be
 37 held on these items. The notice must be published two (2) times in
 38 accordance with IC 5-3-1, with the first publication at least ten (10)
 39 days before the date set for the public hearing.

40 **(c)** Except as provided for the adoption of a supplemental
 41 budget, the governing body of a school corporation may not set a
 42 budget that exceeds the amount published by the school

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1 corporation. The part of a budget that exceeds the published
2 amount is void.

3 Sec. 6. (a) The governing body of a school corporation shall
4 meet each year to set the budget of the school corporation for the
5 ensuing budget year not later than March 1, with notice given by
6 the governing body. The public hearing required by section 5 of
7 this chapter must be completed at least seven (7) days before the
8 governing body of the school corporation meets to set the budget.

9 (b) Not later than March 15, a school corporation shall file with
10 the county auditor two (2) copies of the budget adopted by the
11 school corporation for the ensuing budget year. Each year the
12 county auditor shall present the copies of the budget to the county
13 board of tax adjustment at the board's first meeting.

14 Sec. 7. (a) The county board of tax adjustment shall review the
15 budget of each school corporation. The board shall revise or
16 reduce, but not increase, a budget in order to limit the budget to
17 the:

18 (1) expenditure limit under IC 21-10-2 or any other limitation
19 on expenditures set by statute; and

20 (2) amount of revenue to be available in the ensuing budget
21 year.

22 (b) The county board of tax adjustment shall make a revision or
23 reduction in a school corporation's budget only with respect to the
24 total amounts budgeted for each office or department within each
25 of the major budget classifications prescribed by the state board of
26 accounts.

27 (c) If the county board of tax adjustment makes a revision or
28 reduction in a budget, it shall file with the county auditor a written
29 order that indicates the action taken. If the board reduces the
30 budget, it shall indicate the reason for the reduction in the order.
31 The chairman of the board shall sign the order.

32 Sec. 8. If the boundaries of a school corporation cross one (1) or
33 more county lines, the budget set by the school corporation must
34 be filed with the county auditor of each affected county in the
35 manner prescribed in section 6 of this chapter. The board of tax
36 adjustment of the county that contains the largest part of the
37 general money receivable by the school corporation has
38 jurisdiction over the budget to the same extent as if the property
39 located within the school corporation were wholly within the
40 county. The secretary of the county board of tax adjustment shall
41 notify the county auditor of each affected county of the action of
42 the board. Appeals from actions of the county board of tax

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adjustment may be initiated in any affected county.

Sec. 9. (a) If the county board of tax adjustment determines that a fiscal emergency exists, the county board shall file its written recommendations in duplicate with the county auditor. The board shall include with its recommendations information that the board considers relevant to the matter.

(b) The county auditor shall send one (1) copy of the board's recommendations to the department of local government finance and shall retain the other copy in the county auditor's office. The department of local government finance shall, in the manner prescribed in section 16 of this chapter, review the budgets of each school corporation.

Sec. 10. (a) The county board of tax adjustment shall complete the duties assigned to it under this chapter before April 2 of each year.

(b) If the county board of tax adjustment fails to complete the duties assigned to it within the time prescribed in this section, the county auditor shall carry out the duties of the board.

(c) If the county auditor acts under subsection (b), the county auditor shall send a certificate notice of actions taken by the county auditor to each school corporation of the county. The county auditor shall send these notices within five (5) days after publication of the notice required by section 13 of this chapter.

(d) If the county auditor acts under subsection (b), the action shall be treated as if it were the action of the county board of tax adjustment.

Sec. 11. The county auditor shall certify the budget of a school corporation in the county to the department of local government finance for review in the manner prescribed by section 16 of this chapter if the budget, as approved or modified by the county board of tax adjustment, exceeds the:

- (1) expenditure limit under IC 21-10-2 or any other limitation on expenditures set by statute; or
- (2) amount of revenue to be available in the ensuing budget year.

Sec. 12. The budget of a school corporation, as approved or modified by the county board of tax adjustment, is final unless:

- (1) action is taken by the county auditor in the manner provided under section 11 of this chapter;
- (2) the action of the board is subject to review by the department of local government finance under section 9 or 11 of this chapter; or

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(3) an appeal to the department of local government finance is initiated with respect to the budget.

Sec. 13. When the budgets are approved or modified by the county board of tax adjustment, the county auditor shall within fifteen (15) days prepare a notice of proposed changes in the taxes to be imposed in the ensuing budget year in the school corporation. The notice shall also inform the taxpayers of the manner in which they may initiate an appeal of the board's action under section 14 of this chapter. The county auditor shall post the notice at the county courthouse and publish it in two (2) newspapers that represent different political parties and have a general circulation in the county. However, if only one (1) newspaper of general circulation is published in the county, the county auditor shall publish the notice in that newspaper.

Sec. 14. Ten (10) or more taxpayers may initiate an appeal from the county board of tax adjustment's action on a school corporation's budget by filing a statement of their objections with the county auditor. The statement must be filed within ten (10) days after the publication of the notice required by section 13 of this chapter. The statement must specifically identify the provisions of the budget to which the taxpayers object. The county auditor shall forward the statement, with the budget, to the department of local government finance.

Sec. 15. A school corporation may appeal to the department of local government finance for an increase in its budget as set by the county board of tax adjustment or the county auditor. To initiate the appeal, the school corporation must file a statement with the board not later than ten (10) days after publication of the notice required by section 13 of this chapter. The governing body of the school corporation must authorize the filing of the statement by adopting a resolution. The resolution must be attached to the statement of objections, and the statement must be signed by the presiding officer of the governing body.

Sec. 16. (a) Subject to the limitations and requirements prescribed in this section, the department of local government finance may revise, reduce, or increase a school corporation's budget that the county board of tax adjustment reviews under section 9 or 11 of this chapter.

(b) Subject to the limitations and requirements in this section, the department of local government finance may review, revise, reduce, or increase the budget of any school corporation whose budget is the subject of an appeal initiated under this chapter.

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(c) Before the department of local government finance reviews, revises, reduces, or increases a school corporation's budget under this section, the department must hold a public hearing on the budget. The department shall hold the hearing in the county in which the school corporation is located. The department may consider the budgets of several school corporations at the same public hearing. At least five (5) days before the date set for a public hearing, the department shall give notice of the date, time, and place of the hearing and of the budgets to be considered at the hearing. The department shall publish the notice in two (2) newspapers of general circulation published in the county. However, if only one (1) newspaper of general circulation is published in the county, the department shall publish the notice in that newspaper.

(d) The department of local government finance shall give the school corporation written notification specifying any revision, reduction, or increase that the department of local government finance proposes. However, the department of local government finance may not increase a school corporation's budget to an amount that exceeds the amount originally set by the school corporation, unless the increase is authorized by section 17 of this chapter. The school corporation has one (1) week from the date the school corporation receives the notice to provide a written response to the Indianapolis office of the department of local government finance specifying how to make the required reductions in the amount budgeted for each office or department. The department of local government finance shall make reductions as specified in the school corporation's response if the response is provided as required by this subsection and sufficiently specifies all necessary reductions. The department of local government finance may make a revision, a reduction, or an increase in a school corporation's budget only in the total amounts budgeted for each office or department within each of the major budget classifications prescribed by the state board of accounts.

(e) The department of local government finance may not approve an appropriation for lease payments by a school corporation if the lease payments are payable to a building corporation for use by the building corporation for debt service on bonds and if:

- (1) no bonds of the building corporation are outstanding; or
- (2) the building corporation has enough legally available funds on hand to redeem all outstanding bonds payable from

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the particular lease rental levy requested.

(f) The action of the department of local government finance on a budget is final. The board shall certify its action to:

(1) the county auditor; and

(2) the school corporation if the state board acts under an appeal initiated by the school corporation.

(g) The department of local government finance shall complete the duties assigned to it under this section not later than May 1 of each year.

Sec. 17. The department of local government finance may at any time increase the budget of a school corporation for the following reasons:

(1) To pay the principal or interest upon a funding, refunding, or judgment funding obligation of a school corporation.

(2) To pay the interest or principal upon an outstanding obligation of the school corporation.

(3) To pay a judgment rendered against the school corporation.

(4) To pay lease rentals that have become an obligation of the school corporation under IC 21-5-11 or IC 21-5-12.

Sec. 18. (a) Except as provided in subsection (b), a school corporation may not expend funds that it has received from the state and that it is required to include in its budget estimate unless the funds have been:

(1) included in a budget estimate by the school corporation; and

(2) appropriated by the governing body of the school corporation in the amounts and for the specific purposes for which they may be used.

(b) In the event of a casualty, an accident, or an extraordinary emergency, the governing body of a school corporation may use state funds to make an additional appropriation under IC 21-10-4-1.

Chapter 4. Supplemental Budget; Miscellaneous Provisions

Sec. 1. If the governing body of a school corporation desires to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, the governing body shall give notice of the proposed additional appropriation. The notice shall state the date, time, and place of a public hearing on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).

Sec. 2. If the additional appropriation by the school corporation

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1 is made from a fund that receives general money, the school
2 corporation must report the additional appropriation to the
3 department of local government finance. Section 5 of this chapter
4 applies to the school corporation only if the additional
5 appropriation is made from a fund described under this subsection.

6 **Sec. 3.** A school corporation may make an additional
7 appropriation without approval of the department of local
8 government finance if the additional appropriation is made from
9 a fund that is not described in section 2 of this chapter. However,
10 the governing body of the school corporation shall report the
11 additional appropriation to the department of local government
12 finance.

13 **Sec. 4.** After the public hearing required by section 1 of this
14 chapter, the governing body of the school corporation shall file a
15 certified copy of the final proposal for an additional appropriation
16 and any other relevant information to the department of local
17 government finance.

18 **Sec. 5. (a)** When the department of local government finance
19 receives a certified copy of a proposal for an additional
20 appropriation under section 4 of this chapter, the department of
21 local government finance shall approve or disapprove the proposed
22 additional appropriation based on whether sufficient funds are
23 available or will be available for the proposed additional
24 appropriation. The determination shall be made in writing and
25 sent to the school corporation not more than fifteen (15) days after
26 the department of local government finance receives the proposal.

27 **(b)** If the department of local government finance approves a
28 proposed additional appropriation under subsection (a), the
29 department of local government finance shall limit the amount of
30 the additional appropriation to revenues available, or to be made
31 available, that have not been previously appropriated.

32 **(c)** If the department of local government finance disapproves
33 a proposed additional appropriation under subsection (a), the
34 department of local government finance shall specify the reason for
35 its disapproval on the determination sent to the school corporation.

36 **(d)** A school corporation may request a reconsideration of a
37 determination of the department of local government finance
38 under this section by filing a written request for reconsideration.
39 A request for reconsideration must:

40 **(1)** be filed with the department of local government finance
41 not later than fifteen (15) days after the receipt of the
42 determination by the school corporation; and

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(2) state with reasonable specificity the reason for the request. The department of local government finance must act on a request for reconsideration not later than fifteen (15) days after receiving the request.

Sec. 6. (a) The governing body of a school corporation may transfer money from one (1) major budget classification to another within a department or office if:

- (1) the governing body determines that the transfer is necessary;
- (2) the transfer does not require the expenditure of more money than the total amount set out in the budget as finally determined under this article;
- (3) the transfer is made at a regular public meeting and by proper ordinance or resolution; and
- (4) the transfer is certified to the county auditor.

(b) A transfer may be made under this section without notice and without the approval of the department of local government finance.

Sec. 7. The governing body of a school corporation may appropriate funds received from an insurance company if:

- (1) the funds are received as a result of damage to property of the school corporation; and
- (2) the funds are appropriated for the purpose of repairing or replacing the damaged property.

However, this section applies only if the funds are in fact expended to repair or replace the property within the twelve (12) month period after the funds are received.

Sec. 8. Notwithstanding the other provisions of this chapter, the governing body of a school corporation may:

- (1) make an appropriation with respect to a contract for the discovery of omitted property if the contract provides that the payment for the services performed is to be made from charges or penalties collected on the discovered property;
- (2) reappropriate money recovered from erroneous or excessive disbursements if the error and recovery are made within the current budget year; or
- (3) refund, without appropriation, money erroneously received.

Sec. 9. (a) If the governing body of a school corporation makes an appropriation that exceeds the amount the governing body is permitted to appropriate under this chapter, the members of the governing body commit malfeasance in office and are liable to the

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1 school corporation in an amount equal to the sum of one hundred
 2 twenty-five percent (125%) of the excess appropriated and court
 3 costs.

4 (b) Upon the relation of a taxpayer who owns property that is
 5 located in the school corporation, the appropriate prosecuting
 6 attorney shall initiate an action in the name of the state to recover
 7 the amount for which the members of the governing body of the
 8 school corporation are liable under this section.

9 Sec. 10. Except as otherwise provided in this chapter, the
 10 governing body of a school corporation shall appropriate funds in
 11 such a manner that the expenditures for a budget year do not
 12 exceed the budget for that budget year as finally determined under
 13 this article.

14 Chapter 5. State Emergency Reserve Fund

15 Sec. 1. (a) The state emergency reserve fund is established. The
 16 budget agency shall administer the fund. Money in the fund at the
 17 end of a state fiscal year does not revert to the state general fund.

18 (b) An account in the state emergency reserve fund is
 19 established for each school corporation.

20 (c) During each budget year, without an appropriation, the
 21 school corporation shall transfer to the state for deposit in the state
 22 emergency reserve fund all money that is received by the school
 23 corporation in excess of the lesser of the:

24 (1) expenditure limit; or

25 (2) budget;

26 of the school corporation.

27 (d) A school corporation may appropriate other money for
 28 deposit in the emergency reserve fund.

29 Sec. 2. Deposits in an account of the emergency reserve fund
 30 shall be made at the end of each quarter based on projections of
 31 general money and the expenditure limit. A school corporation
 32 may transfer money out of the school corporation's account in the
 33 state emergency reserve fund as approved by the department of
 34 local government finance.

35 Sec. 3. A school corporation may receive money from the school
 36 corporation's account in the state emergency reserve fund only to
 37 meet a fiscal emergency, as determined and approved under
 38 IC 21-10-2-28.

39 Sec. 4. Except as ordered by the department of local government
 40 finance, a school corporation shall maintain a balance of at least
 41 three percent (3%) of the amount budgeted for the latest budget
 42 approved by the department of local government finance in the

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1 school corporation's account in the fund.

2 **Chapter 6. Bonding Limit**

3 **Sec. 1.** As used in this chapter, "average total revenue" means
4 the result determined under section 2 of this chapter.

5 **Sec. 2.** Subject to sections 4 and 5 of this chapter, the average
6 total revenue of a school corporation is equal to the result
7 determined under STEP THREE of the following formula:

8 **STEP ONE:** Determine, for each of the three (3) budget years
9 immediately preceding the budget year in which the school
10 corporation will incur a debt, the total receipts:

11 (A) received by a school corporation, including
12 distributions from the state but excluding the proceeds
13 from loans, the sale of property, the sale of bonds, or the
14 issuance of other debt; and

15 (B) available to pay the expenditures of the school
16 corporation, including repayment of principal and interest
17 on debt.

18 **STEP TWO:** Determine the sum of the amounts determined
19 under STEP ONE.

20 **STEP THREE:** Divide the amount determined under STEP
21 TWO by three (3).

22 **Sec. 3.** Funds dedicated to a particular purpose may be included
23 in the computation of average total revenue only to the extent that
24 the funds are or may be pledged to repay any part of the debt of a
25 school corporation.

26 **Sec. 4.** The department of local government finance shall
27 compute an average total revenue for a school corporation that
28 may issue debt less than three (3) budget years after the school
29 corporation is established based on an estimate of the receipts that
30 the school corporation will receive in the first full budget year after
31 the debt is incurred.

32 **Sec. 5.** A school corporation may include in the computation of
33 average total revenue an amount that is:

34 (1) equal to an estimate of the amounts the school corporation
35 will receive from a state distribution, tax, or fee that was not
36 collected in any of the three (3) budget years preceding the
37 budget year in which the school corporation incurs a debt but
38 is pledged to repay a debt; and

39 (2) approved by the department of local government finance.

40 **Sec. 6.** A school corporation may not become indebted, in any
41 manner or for any purpose, to an amount that, in total, would
42 result in payments of principal and interest in any year over the

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term of all debt that exceeds twenty percent (20%) of the average total revenues of the school corporation before incurring the indebtedness.

Sec. 7. Subject to section 8 of this chapter, all bonds or obligations of a school corporation in excess of the amount determined under section 6 of this chapter are void.

Sec. 8. This chapter does not release or extinguish the debt of a school corporation that has debt on January 1, 2007, that exceeds the maximum debt limit allowed under section 6 of this chapter. However, the school corporation may not incur additional debt that will increase the total debt of the school corporation until the school corporation is in compliance with section 6 of this chapter.

SECTION 54. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2007]: IC 6-1.1-19; IC 21-2-1; IC 21-2-3.1; IC 21-2-3.2; IC 21-2-5; IC 21-2-5.5; IC 21-2-5.6; IC 21-2-9; IC 21-2-11.6; IC 21-2-12; IC 21-2-13; IC 21-2-14; IC 21-4-20; IC 21-4-22; IC 21-4-23.

SECTION 55. [EFFECTIVE JULY 1, 2005] IC 6-3.5-10, as added by this act, applies to taxable years beginning after December 31, 2005.

SECTION 56. [EFFECTIVE JULY 1, 2005] IC 21-10, as added by this act, applies only to budget years (as defined in IC 21-10-1-5, as added by this act) beginning after June 30, 2006.

SECTION 57. [EFFECTIVE JULY 1, 2005] (a) The initial school year budget adopted by a school corporation and set by the department of local government finance under IC 21-10, as added by this act, is for the period beginning July 1, 2006, through June 30, 2007. The first six (6) months of the initial budget for a school corporation must be consistent with the last six (6) months of the budget set by the department of local government finance for calendar year 2006 under the procedures effective in 2005.

(b) This SECTION expires July 1, 2008.

SECTION 58. [EFFECTIVE JULY 1, 2005] Notwithstanding any other law, the authority of a school corporation to impose an ad valorem property tax for the school corporation's general fund is terminated for assessment dates after February 28, 2006, and for property taxes that would otherwise be due and payable after December 31, 2006.

SECTION 59. [EFFECTIVE JULY 1, 2005] (a) As used in this SECTION, "committee" refers to the interim study committee on school property tax reductions established by subsection (b).

(b) There is established the interim study committee on school

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1 property tax reductions. The committee shall prepare legislation
2 for introduction in the 2006 session of the general assembly to
3 bring all laws in conflict with this act into conformity with this act.

4 (c) The committee shall operate under the policies governing
5 study committees adopted by the legislative council.

6 (d) The affirmative votes of a majority of the voting members
7 appointed to the committee are required for the committee to take
8 action on any measure, including final reports.

9 (e) This SECTION expires November 1, 2005.

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